

THE DEPARTMENT OF STATE



Bulletin

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January 19, 1959

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The Department of State BULLETIN, a weekly publication issued by the Public Services Division, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.

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U.S. Replies to Soviet Note on Berlin

Following is an exchange of correspondence between the United States and the Union of Soviet Socialist Republics on the subject of Berlin.¹

U.S. NOTE OF DECEMBER 31

Press release 781 dated December 31

The Government of the United States acknowledges the note which was addressed to it by the Government of the U.S.S.R. under date of November 27.

The note contains a long elaboration on the events which preceded and followed the last war. It attempts to portray the Western Powers—France, the United Kingdom and the United States—as supporters of Hitlerism as against the Soviet Union. This portrayal is in sharp contrast with the actual facts. In this connection we refer to the contemporaneous statement made by the Soviet Minister of Foreign Affairs to the Supreme Soviet of the U.S.S.R. on October 31, 1939. In that statement he refers, among other things, to the “conclusion of the Soviet-German non-aggression pact of August 23” and points out “we now had a rapprochement and the establishment of friendly relations between the U.S.S.R. and Germany”. The statement goes on to assail the British and French Governments for their opposition to Hitlerism in the following language: “The ruling circles of Britain and France have been lately attempting to depict themselves as champions of the democratic rights of nations against Hitlerism, and the British Government has announced that its aim in the war with Germany is nothing more nor less than the ‘destruction of Hitlerism’ . . . everybody will understand that an ideology cannot be destroyed by force, that it cannot be eliminated by war. It is

therefore not only senseless, but criminal to wage such a war—a war for the ‘destruction of Hitlerism’ camouflaged as a fight for ‘democracy’.”

The situation of Berlin of which the Soviet Government complains and which it considers abnormal is a result of the very nature of the German problem such as it has existed since 1945. When the empire of Hitler collapsed the Western Allies were in military possession of more than one-third of what subsequently was occupied by the Soviet authorities.

The Soviet Union was in possession of Berlin. On the basis of the agreements of September 12, 1944 and May 1, 1945, the Western Allies withdrew, thereby permitting a Soviet occupation of large parts of Mecklenburg, Saxony, Thuringia and Anhalt, and concurrently, the three Western Powers occupied the western sectors in Berlin, then an area of rubble.

The Soviet Union has directly and through its puppet regime—the so-called German Democratic Republic—consolidated its hold over the large areas which the Western Allies relinquished to it. It now demands that the Western Allies should relinquish the positions in Berlin which in effect were the *quid pro quo*.

The three Western Powers are there as occupying powers and they are not prepared to relinquish the rights which they acquired through victory just as they assume the Soviet Union is not willing now to restore to the occupancy of the Western Powers the position which they had won in Mecklenburg, Saxony, Thuringia and Anhalt and which, under the agreements of 1944 and 1945, they turned over for occupation by the Soviet Union.

The agreements made by the Four Powers cannot be considered obsolete because the Soviet Union has already obtained the full advantage therefrom and now wishes to deprive the other parties of their compensating advantages. These

¹ For a Department memorandum on the legal aspects of the Berlin situation, see BULLETIN of Jan. 5, 1959, p. 5.

agreements are binding upon all of the signatories so long as they have not been replaced by others following free negotiations.

Insofar as the Potsdam agreement is concerned, the status of Berlin does not depend upon that agreement. Moreover, it is the Soviet Union that bears responsibility for the fact that the Potsdam agreement could not be implemented.

The Soviet memorandum purports formally to repudiate the agreements of September 12, 1944 and May 1, 1945. This repudiation in fact involves other and more recent engagements. We refer in this connection to the Four Power agreement of June 20, 1949 whereby, among other things, the Soviet Union assumed "an obligation" to assure the normal functioning of transport and communication between Berlin and the Western Zones of Germany. This "obligation" the Soviet Union now purports to shed. The United States also refers to the "summit" agreement of July 23, 1955² whereby the Four Powers recognized "their common responsibility for the settlement of the German question", a phrase which necessarily includes the problem of Berlin. Apparently the Soviet Union now attempts to free itself from these agreed responsibilities and obligations.

The United States Government cannot prevent the Soviet Government from announcing the termination of its own authority in the quadripartite regime in the sector which it occupies in the city of Berlin. On the other hand, the Government of the United States will not and does not, in any way, accept a unilateral denunciation of the accords of 1944 and 1945; nor is it prepared to relieve the Soviet Union from the obligations which it assumed in June, 1949. Such action on the part of the Soviet Government would have no legal basis, since the agreements can only be terminated by mutual consent. The Government of the United States will continue to hold the Soviet Government directly responsible for the discharge of its obligations undertaken with respect to Berlin under existing agreements. As the Soviet Government knows, the French, British and United States Governments have the right to maintain garrisons in their sectors of Berlin and to have free access thereto. Certain administrative procedures have been agreed with the Soviet authorities accordingly and are in operation at the

present time. The Government of the United States will not accept a unilateral repudiation on the part of the Soviet Government of its obligations in respect of that freedom of access. Nor will it accept the substitution of the regime which the Soviet Government refers to as the German Democratic Republic for the Soviet Government in this respect.

In the view of the Government of the United States, there can be no "threat" to the Soviet Government or the regime which the Soviet Government refers to as the German Democratic Republic from the presence of the French, British and United States garrisons in Berlin. Nor can there be any military threat from Berlin to the Soviet Government and this regime. The forces of the three Western Powers in Berlin number about ten thousand men. The Soviet Government, on the other hand, is said to maintain some three hundred and fifty thousand troops in Eastern Germany, while the regime which the Soviet Government refers to as the German Democratic Republic is understood also to maintain over two hundred thousand men under arms. In these circumstances, the fear that the Western troops in Berlin may "inflict harm" appears to be wholly unfounded. If Berlin has become a focus of international tension, it is because the Soviet Government has deliberately threatened to disturb the existing arrangements at present in force there, arrangements to which the Soviet Government is itself a party. The inhabitants of West Berlin have recently reaffirmed in a free vote their overwhelming approval and support for the existing status of that city. The continued protection of the freedom of more than two million people of West Berlin is a right and responsibility solemnly accepted by the Three Western Powers. Thus the United States cannot consider any proposal which would have the effect of jeopardizing the freedom and security of these people. The rights of the Three Powers to remain in Berlin with unhindered communications by surface and air between that city and the Federal Republic of Germany are under existing conditions essential to the discharge of that right and responsibility. Hence the proposal for a so-called "free city" for West Berlin, as put forward by the Soviet Union, is unacceptable.

As is stated in the Soviet Government's note of November 27, it is certainly not normal that

² For text, see *ibid.*, Aug. 1, 1955, p. 176.

thirteen years after the end of the war there should still remain in a part of German territory a system of occupancy instituted in 1945. The United States deplores this fact and the fact that Germany has not yet been reunified so that Berlin might resume its rightful position as capital of a united Germany. If the treaty of peace, which alone can bring an end to this situation, has not been concluded with a reunited Germany, the responsibility in no way rests with the Three Western Powers which have not spared any effort to bring the Four Powers out of the impasse where they have so long found themselves. Pending the conclusion of a peace treaty, the present situation continues.

In reality, the form of government in Berlin, the validity of which the Soviet Government attempts to contest today, is only one aspect, and not the essential one, of the German problem in its entirety. This problem, which has often been defined, involves the well-known questions of reunification, European security, as well as a peace treaty. It has in the past been discussed without success in the course of numerous international meetings with the Soviets. The Government of the United States has always been and continues today to be ready to discuss it. The United States made clear this readiness in its note to the Soviet Union of September 30, 1958,³ in which it was stated:

"The Government of the United States is ready at any time to enter into discussions with the Soviet Government on the basis of these proposals [i. e., the Western proposals for free all-German elections and free decisions for an all-German Government], or of any other proposals genuinely designed to insure the reunification of Germany in freedom, in any appropriate forum. It regards the solution of the German problem as essential if a lasting settlement in Europe is to be achieved". The Soviet Union has not yet seen fit to reply to this note.

Public repudiation of solemn engagements, formally entered into and repeatedly reaffirmed, coupled with an ultimatum threatening unilateral action to implement that repudiation unless it be acquiesced in within six months, would afford no reasonable basis for negotiation between sovereign states. The Government of the United States

could not embark on discussions with the Soviet Union upon these questions under menace or ultimatum; indeed, if that were intended, the United States would be obliged immediately to raise a protest in the strongest terms. Hence, it is assumed that this is not the purpose of the Soviet note of November 27 and that the Soviet Government, like itself, is ready to enter into discussions in an atmosphere devoid of coercion or threats.

On this basis, the United States Government would be interested to learn whether the Soviet Government is ready to enter into discussions between the Four Powers concerned. In that event, it would be the object of the Government of the United States to discuss the question of Berlin in the wider framework of negotiations for a solution of the German problem as well as that of European security. The United States Government would welcome the views of the Soviet Government at an early date.

SOVIET NOTE OF NOVEMBER 27

Official translation

The Government of the Union of Soviet Socialist Republics addresses the Government of the United States of America as one of the signatory powers of the Potsdam Agreement on the urgent question of the status of Berlin.

The problem of Berlin, which is situated in the center of the German Democratic Republic but the western part of which is cut off from the GDR as a result of foreign occupation, deeply affects not only the national interests of the German people but also the interests of all nations desirous of establishing lasting peace in Europe. Here in the historic capital of Germany two worlds are in direct contact and at every turn there tower the barricades of the "cold war." A situation of constant friction and tension has prevailed for many years in this city, which is divided into two parts. Berlin, which witnessed the greatest triumph of the joint struggle of our countries against Fascist aggression, has now become a dangerous center of contradiction between the Great Powers, allies in the last war. Its role in the relations between the Powers may be compared to a smoldering fuse that has been connected to a powder keg. Incidents arising here, even if they seem to be of local significance, may, in an atmosphere of heated passions, suspicion, and mutual apprehensions, cause a conflagration which will be difficult to extinguish. This is the sad pass to which has come, after the 13 postwar years, the once joint and concerted policy of the Four Powers—the USSR, the USA, Great Britain and France—with regard to Germany.

To assess correctly the real importance of the Berlin problem confronting us today and to determine the existing possibilities for normalizing the situation in Berlin it is necessary to recall the development of the policy of

³ For text, see *ibid.*, Oct. 20, 1958, p. 615.

the Powers parties to the anti-Hitler coalition with respect to Germany.

It is common knowledge that the USA, as well as Great Britain and France, by no means immediately came to the conclusion that it was essential to establish cooperation with the Soviet Union for the purpose of counteracting Hitlerite aggression, although the Soviet Government constantly indicated its readiness to do so. In the capitals of the Western states opposite tendencies prevailed for a long time and they became especially marked in the period of the Munich deal with Hitler. Entertaining the hope of controlling German militarism and of pushing it eastward, the governments of the Western Powers tolerated and encouraged the policy of blackmail and threats pursued by Hitler and acts of direct aggression by Hitlerite Germany and its ally, Fascist Italy, against a number of peace-loving states.

It was only when Fascist Germany, upsetting the short-sighted calculations of the inspirers of Munich, turned against the Western Powers, when Hitler's army started moving westward, crushing Denmark, Norway, Belgium, and the Netherlands, and toppling France, that the governments of the USA and Great Britain had no alternative but to admit their miscalculations and embark upon the path of organizing, jointly with the Soviet Union, resistance to Fascist Germany, Italy, and Japan. Had the Western Powers followed a more farsighted policy, such cooperation between the Soviet Union, the USA, Great Britain, and France could have been established much sooner, in the first years after Hitler seized power in Germany, and then there would have been no occupation of France, no Dunkirk, no Pearl Harbor. Then it would have been possible to save millions of human lives sacrificed by the peoples of the Soviet Union, Poland, Yugoslavia, France, Britain, Czechoslovakia, the USA, Greece, Norway, and other countries to curb the aggressors.

The creation of the anti-Hitler coalition is a fact without precedent in modern history, if only because states with different social systems united in a defensive and just war against the common enemy. The Soviet Government highly reveres the concord of nations that took shape in the struggle against Fascism and was sealed by the blood of the freedom-loving peoples. The Soviet people would like to preserve and develop the feelings of trust and friendship that marked their relations with the peoples of the USA, Britain, France, and the other countries of the anti-Hitler coalition during the grim years of the last war.

When the peoples were celebrating victory over Hitlerite Germany a conference of the heads of government of the Soviet Union, the USA and Great Britain was held in Potsdam in order to work out a joint policy with respect to post-war Germany. The Potsdam Agreement, to which France acceded soon after it was signed, generalized the historical experience of the struggle waged by the peoples to prevent aggression by German militarism. The entire content of this agreement was directed toward creating conditions precluding the possibility of yet another attack by Germany against peace-loving states, toward preventing German militarists from unleashing

another world war so that Germany, having abandoned forever the mirage of a policy of conquest, might make a firm start on the road to peaceful development.

Expressing the will of the peoples who made untold sacrifices for the sake of crushing the Hitlerite aggressors, the governments of the Four Powers solemnly undertook to eradicate German militarism and Nazism, to prevent forever their revival, and to take all steps to ensure that Germany would never again threaten its neighbors or the preservation of world peace. The participants in the Potsdam Conference expressed their determination to prevent any Fascist and militaristic activity or propaganda. They also undertook to permit and encourage all democratic political parties in Germany.

For purposes of destroying the economic foundation of German militarism, it was decided to eliminate excessive concentration in Germany's economy, represented in the form of cartels, syndicates, trusts, and other monopolies, which ensured the assumption of power by Fascism and the preparation and carrying out of Hitlerite aggression.

The Potsdam Agreement contained important provisions whereby Germany was to be regarded as a single economic entity, even during the occupation period. The agreement also provided for the creation of central German administrative departments. The Council of Foreign Ministers, established by a decision of the Potsdam Conference, was instructed to prepare a peace settlement for Germany.

The implementation of all these measures should have enabled the German people to effect a fundamental reconstruction of their life and to ensure the creation of a united, peace-loving, democratic German state.

Such are the main provisions of the Potsdam Agreement, which ensured an equitable combination of the interests both of the nations that had fought against Germany and of the fundamental interests of the German people themselves, and at the same time created a sound basis for carrying out a joint policy by the Four Powers concerning the German question, and, hence, for extensive and fruitful cooperation between them in European matters in general. However, further developments deviated a great deal from the direction mapped out at Potsdam. Relations between the USSR and the Three Western Powers kept deteriorating. Mutual distrust and suspicion kept growing and have now developed into unfriendly relations.

The Soviet Government sincerely hoped that after the victorious end of the war it would be quite possible, notwithstanding all the inevitability of ideological differences, to continue the fruitful cooperation between the Great Powers that headed the anti-Hitler coalition, on the basis of sober recognition of the situation resulting from the war.

The policy of the Western Powers, however, was increasingly influenced by forces obsessed with hatred for Socialist and Communist ideas but which concealed during the war their hostile designs against the Soviet Union. As a result, the course was set in the West toward the utmost aggravation of the ideological struggle

headed by aggressive leaders, opponents of the peaceful coexistence of states. The signal for this was given to the United States and to other Western countries by W. Churchill in his notorious Fulton speech in March 1946.

The conflict between the two ideologies—a struggle of minds and convictions—in itself could not have been particularly detrimental to relations between states. The ideological struggle has never abated and it will continue so long as there are different views on the structure of society. But, unfortunately, the pronouncements of W. Churchill and those who share his views influenced the minds of other Western statesmen, which had the most regrettable consequences. Governmental bodies and the armed forces joined in the ideological struggle that blazed forth. The results are universally known. Instead of developing cooperation between the major Great Powers, the world was split into opposing military alignments and competition began in the manufacture and stockpiling of atomic and hydrogen weapons. In other words, war preparations were launched. The Soviet Government deeply regrets that events took such a turn, since this prejudices the cause of peace and runs counter to the natural desire of peoples for peaceful coexistence and friendly cooperation. There was a time when the leaders of the USA and Great Britain, in particular Franklin D. Roosevelt, the outstanding American statesman, reflecting the sentiments of the mass of the people, proclaimed the necessity of creating such a system of mutual relations between states under which the nations would feel secure and people everywhere could live all their lives without fear.

A particularly drastic change in relations between the USA, as well as Britain and France, and the Soviet Union occurred when those powers shifted to pursuing a policy in Germany that ran counter to the Potsdam Agreement. The first violation of the Potsdam Agreement was the refusal by the governments of the USA, Great Britain, and France to honor their commitments under the aforesaid agreement regarding the transfer to the Soviet Union of the agreed amount of industrial equipment from West Germany, in partial compensation for the destruction and damage inflicted upon the national economy of the USSR by the aggression of Hitlerite Germany.

But the matter did not end there. With every passing year the governments of the USA and Great Britain drifted farther and farther away from the principles underlying the Potsdam Agreement. The same road was followed by France which, although it acceded to the Potsdam Agreement later, cannot, of course, disclaim its share of the responsibility for carrying out this agreement.

Having embarked upon the restoration of the military and economic potential of West Germany, the Western Powers revived and strengthened the very forces that had forged Hitler's war machine. Had the Western Powers honored the Potsdam Agreement they would have prevented the German militarists from regaining their positions, checked *revanche* tendencies, and not permitted Germany to create an army and an industry manufacturing the means of destruction. However, it is a known fact that the governments of the Three Powers not only failed to do this but, on the contrary, sanctioned the creation of a West German army and are encouraging the

arming of the Federal Republic of Germany, disregarding the commitments made at Potsdam. Moreover, they included West Germany in the North Atlantic bloc, which was created behind the back of the Soviet Union and, as everyone is aware, against it, and are now arming West Germany with atomic and rocket weapons.

It is evident that the bitter lessons of the murderous war have been lost on certain Western statesmen, who are once again dragging out the notorious Munich policy of inciting German militarism against the Soviet Union, their recent comrade in arms.

The legitimate question arises as to whether the very promoters of the present Western policy with respect to Germany can guarantee that the German militarism nurtured by them will not once again turn against its present partners and that the American, British, and French peoples will not have to pay with their blood for the violation by the governments of the Three Western Powers of the Allied agreements on the peaceful and democratic development of Germany. It is doubtful whether anyone can give such guarantees.

The policy of the USA, Britain, and France with respect to West Germany has led to the violation of those provisions of the Potsdam Agreement designed to ensure the unity of Germany as a peace-loving and democratic state. And when a separate state, the Federal Republic of Germany, was set up independently [of the Soviet Union] in West Germany, which was occupied by the troops of the Three Powers, East Germany, where forces determined not to allow the German people to be plunged once again into disaster assumed the leadership, had no alternative but to create in its turn an independent state.

Thus, two states came into being in Germany. Whereas in West Germany, whose development was directed by the United States, Britain, and France, a government took office the representatives of which do not conceal their hatred for the Soviet Union and often openly advertise the similarity of their aspirations to the plans of the Hitlerite aggressors, in East Germany a government was formed which has irrevocably broken with Germany's aggressive past. State and public affairs in the German Democratic Republic are governed by a constitution fully in keeping with the principles of the Potsdam Agreement and the finest progressive traditions of the German nation. The rule of monopolies and Junkers has been abolished forever in the GDR. Nazism has been eradicated and a number of other social and economic reforms have been carried out, which have destroyed the basis for the revival of militarism and have made the German Democratic Republic an important factor of peace in Europe. The Government of the GDR has solemnly proclaimed that it will fulfill, to the letter, its commitments under the Potsdam Agreement, which, incidentally, the Government of the FRG obstinately evades.

The inclusion of the FRG in the North Atlantic bloc compelled the Soviet Union to adopt countermeasures, in as much as the commitments binding the Soviet Union, the United States, Great Britain, and France were broken by the Three Western Powers, which united with West Germany, and previously with Italy, against the Soviet Union, which had borne the brunt of the struggle against

the Fascist aggressors. That closed military alignment created an equal threat to other countries as well. Such a situation compelled the Soviet Union, as well as a number of other European countries that were victims of aggression by German and Italian Fascism, to establish their own defensive organization, concluding for this purpose the Warsaw Treaty, to which the GDR also acceded.

There is only one conclusion to be drawn from the foregoing: The Potsdam Agreement has been grossly violated by the Western Powers. It is like the trunk of a tree, once mighty and fruitful, but now cut down and with its heart taken out. The lofty goals for which the Potsdam Agreement was concluded have long since been renounced by the Western Powers, and what they are actually doing in Germany is diametrically opposed to what the Potsdam Agreement had envisaged. The crux of the matter is not, of course, that the social and political systems of the GDR and the FRG are basically different. The Soviet Government considers that the solution of the question of social structure of both German states is the concern of the Germans themselves. The Soviet Union stands for complete noninterference in the internal affairs of the German people, or in those of any other people. But the GDR's movement towards socialism has given rise to the enmity and profound hostility of the Federal Government toward it—which finds full support and encouragement by the NATO members, and, above all, the United States.

The Government of the FRG, encouraged by the Western Powers, is systematically fanning the "cold war," and its leaders have repeatedly stated that the FRG would pursue the policy "from a position of strength," i. e., a policy of dictation to the other German state. Thus, the Government of the FRG does not want a peaceful unification of the German people, who are living in two states under different social systems, but is nurturing plans for abolishing the GDR and strengthening at the latter's expense its own militaristic state.

The Soviet Government fully understands the position of the German Democratic Republic, which does not want to see the democratic and social gains of the German working people destroyed, the property of capitalists and landlords restored, the land, plants, and factories taken away from the people, and the GDR subjected to a militarist regime. The recent elections for the People's Chamber and local bodies of the German Democratic Republic are yet another striking indication that the population of the GDR unanimously supports the policy of its Government, which is aimed at preserving peace and reunifying Germany on a peaceful and democratic basis, and is fully determined to defend its Socialist gains. The Soviet Union expresses complete solidarity with the GDR, which is firmly defending its lawful rights.

If one is to face the truth, one should recognize that other countries are not too eager either to support the plans of the Government of the FRG for unifying Germany by force. And this is understandable, since peoples including those of France and Great Britain, are still smarting from the wounds inflicted on them by Hitlerite Germany.

Traces of the last war are far from erased from French towns and villages. The ruins left in the capital and in many cities of Great Britain after the bombings by Nazi planes have not yet been removed, and millions of Britons cannot forget the tragic fate of Coventry. The peoples that were subjected to occupation by the Hitlerite army fully understand these feelings. They lost millions of men and women, killed or tortured to death, and saw thousands of cities destroyed and villages burned on their soil. The Soviet people will never forget what happened to Stalingrad, nor will the Poles ever forget the fate of Warsaw, nor the Czechoslovak people that of Lidice. American families also came to know the grief of losing their kith and kin. Germany twice unleashed world wars and in both cases dragged into them the United States of America, whose sons were compelled to shed their blood in lands thousands of miles away from American shores.

Mindful of all this, the peoples cannot and will not permit the unification of Germany on a militaristic basis.

There is another program for uniting Germany, which is advocated by the German Democratic Republic. This is a program for uniting Germany as a peace-loving and democratic state, and it cannot fail to be welcomed by the peoples. There is but one way to put it into effect, that is, through agreement and contacts between the two German states and through the establishment of a German confederation. The implementation of this proposal would, without affecting the social structures of the GDR and the FRG, direct into the single channel of a peaceful policy the efforts of their governments and parliaments and would ensure a gradual rapprochement and merger of the two German states.

The Soviet Union, as well as other states interested in strengthening the peace in Europe, supports the proposals of the German Democratic Republic for the peaceful unification of Germany. The Government of the USSR regrets that none of the efforts made in this direction has as yet produced any positive results, since the governments of the United States and other NATO members, and, above all, the Government of the FRG, do not, in fact, display any concern either for the conclusion of a peace treaty or for the unification of Germany.

Consequently, the policy pursued by the United States, Great Britain, and France, directed as it is toward the militarization of West Germany and toward involving it in the military bloc of the Western Powers, has also prevented the enforcement of those provisions of the Potsdam Agreement that pertain to Germany's unity.

Actually, of all the Allied agreements on Germany, only one is being carried out today. It is the agreement on the so-called quadripartite status of Berlin. On the basis of that status, the Three Western Powers are ruling the roost in West Berlin, turning it into a kind of state within a state and using it as a center from which to pursue subversive activity against the GDR, the Soviet Union, and the other parties to the Warsaw Treaty. The United States, Great Britain, and France are freely communicating with West Berlin through lines of communication passing through the territory and the airspace of the German Democratic Republic, which they do not even want to recognize.

The governments of the Three Powers are seeking to

keep in force the long-since obsolete part of the wartime agreements that governed the occupation of Germany and entitled them in the past to stay in Berlin. At the same time, as stated above, the Western Powers have grossly violated the Four-Power agreements, including the Potsdam Agreement, which is the most concentrated expression of the obligations of the Powers with respect to Germany. Moreover, the Four-Power agreements on the occupation of Germany, which the governments of the USA, Great Britain, and France invoke in support of their rights in West Berlin, were approved by the Potsdam Agreement or adopted for its implementation. In other words, the Three Powers are demanding, for their own sake, the preservation of the occupation privileges based on those Four-Power agreements, which they themselves have violated.

If the USA, Great Britain, and France are indeed staying in Berlin by virtue of the right stemming from the aforementioned international agreements and, primarily, from the Potsdam Agreement, this implies their duty to abide by these agreements. Those who have grossly violated these agreements have lost the right to maintain their occupation regime in Berlin or any other part of Germany. Furthermore, is it possible to insist on the occupation regime being maintained in Germany or in any part thereof for more than 13 years after the end of the war? For, any occupation is an event of limited duration, which is expressly stipulated in the Four-Power agreements on Germany.

It is well known that the conventional way to put an end to occupation is for the parties that were at war to conclude a peace treaty offering the defeated country the conditions necessary for the re-establishment of normal life.

The fact that Germany still has no peace treaty is the fault primarily of the governments of the USA, Britain, and France, which have never seemed to be in sympathy with the idea of drafting such a treaty. It is known that the governments of the Three Powers reacted negatively to every approach the Soviet Government has made to them regarding the preparation of a peace treaty with Germany.

At present, the USA, Great Britain, and France are opposed, as follows from their notes of September 30 of this year, to the latest proposals for a peaceful settlement with Germany put forward by the Soviet Union and the GDR, while making no proposals of their own on this question, just as they have made none throughout the postwar period. As a matter of fact, the last note of the US Government is a restatement of the position that proved to be utterly unrealistic, whereby Germany's national unity is to be re-established by the USSR, the USA, Great Britain, and France rather than by the German states that are to unite. It also follows from the US Government's note that it is once again avoiding negotiations with the Soviet Union and the other interested states for the purpose of preparing a peace treaty with Germany. The result is a veritable vicious circle: The US Government is objecting to the drafting of a German peace treaty by referring to the absence of a united German state while at the same time hampering the reunification of Germany by rejecting the only real

possibility of solving this problem through agreement between the two German states.

Is it not because the Western Powers would like to prolong indefinitely their privileges in West Germany and the occupation regime in West Berlin that they take this position on the question of drafting a peace treaty? It is becoming increasingly clear that such is the actual state of affairs.

The Soviet Government reaffirms its readiness to participate at any time in negotiations to draft a peace treaty with Germany. However, the absence of a peace treaty can by no means be an excuse now for attempting to maintain the occupation regime anywhere in Germany.

The occupation period in Germany has long since become a thing of the past and any attempts to prevent the disappearance of special rights of foreign powers in Germany are becoming a dangerous anachronism. The occupation regime in Germany has never been an end in itself. It was established to help the healthy forces of the German nation to build their own new peace-loving and democratic state on the ruins of a militaristic Germany.

Desirous of living in peace and friendship with the entire German people, the Soviet Union has established and is maintaining normal diplomatic relations with both German states. Close friendly relations bind the Soviet Union to the German Democratic Republic. These relations were embodied in the treaty concluded between the Soviet Union and the German Democratic Republic on September 20, 1955. In accordance with this treaty, relations between the two states are based on complete equality of rights, respect for each other's sovereignty, and noninterference in each other's internal affairs. The Soviet Government proceeds from the same principles in its relations with the other German state—the Federal Republic of Germany.

On their part, the governments of the USA, Great Britain, and France proclaimed an end to the occupation regime in the territory of the FRG, which had been under their control and administration, when they signed the Paris agreements. The Four-Power status of Berlin came into being because Berlin, as the capital of Germany, was designated as the seat of the Control Council established for Germany's administration during the initial period of occupation. This status has been scrupulously observed by the Soviet Union up to the present time, although the Control Council ceased to exist as early as ten years ago and there have been two capitals in Germany for a long time. As for the USA, Great Britain, and France, they have chosen to abuse in a flagrant manner their occupation rights in Berlin and have exploited the Four-Power status of the city for their own purposes to the detriment of the Soviet Union, the German Democratic Republic, and the other Socialist countries.

At one time, the agreement on the Four-Power status of Berlin was an agreement providing for equal rights of the Four Powers, which was concluded for peaceful democratic purposes, which purposes later became known as the Potsdam principles. At that time, this agreement met the requirements of the day and was in accordance with the interests of all its signatories—the USSR, the

USA, Great Britain, and France. Now that the Western Powers have begun to arm West Germany and turn it into an instrument of their policy directed against the Soviet Union, the very essence of this erstwhile Allied agreement on Berlin has disappeared. It was violated by three of its signatories, who began using it against the fourth signatory, i. e., against the Soviet Union. It would be ridiculous to expect that in such a situation the Soviet Union or any other self-respecting state in its place would pretend not to notice the changes that have occurred.

An obviously absurd situation has thus arisen, in which the Soviet Union seems to be supporting and maintaining favorable conditions for the Western Powers in their activities against the Soviet Union and its Allies under the Warsaw Treaty.

It is obvious that the Soviet Union, just as the other parties to the Warsaw Treaty, cannot tolerate such a situation any longer. For the occupation regime in West Berlin to continue would be tantamount to recognizing something like a privileged position of the NATO countries, for which there is, of course, no reason whatsoever.

It is hardly possible seriously to believe that the Soviet Union will help the forces of aggression to develop subversive activities, much less to prepare an attack on Socialist countries. It should be clear for anybody with common sense that the Soviet Union cannot maintain a situation in West Berlin that is detrimental to its lawful interests, its security, and the security of other Socialist countries. It would be well to bear in mind that the Soviet Union is not a Jordan or an Iran and will never tolerate any methods of pressure upon it for the purpose of imposing conditions advantageous to the opposing NATO military bloc. But this is precisely what the Western Powers are trying to get the Soviet Union to endorse in their attempts to retain their rights of occupants in West Berlin.

Can the Soviet Union disregard all these facts, which affect the vital security interests of the Soviet Union, of its ally—the German Democratic Republic—and of all the member states of the Warsaw Defense Treaty? Of course not! The Soviet Government can no longer consider itself bound by that part of the Allied agreements on Germany that has assumed an inequitable character and is being used for the purpose of maintaining the occupation regime in West Berlin and interfering in the internal affairs of the GDR.

In this connection, the Government of the USSR hereby notifies the United States Government that the Soviet Union regards as null and void the "Protocol of the Agreement between the Governments of the Union of Soviet Socialist Republics, the United States of America, and the United Kingdom on the zones of occupation in Germany and on the administration of Greater Berlin," of September 12, 1944, and the related supplementary agreements, including the agreement on the control machinery in Germany, concluded between the governments of the USSR, the USA, Great Britain, and France on May 1, 1945, i. e., the agreements that were intended to be in effect during the first years after the capitulation of Germany.

It is easy to see that all the Soviet Government is doing by making this statement is to recognize the actual state of affairs, which consists in the fact that the USA, Great Britain, and France have long since rejected the essentials of the treaties and agreements concluded during the war against Hitler Germany and after its defeat. The Soviet Government is doing no more than drawing conclusions that inevitably ensue for the Soviet Union from this actual state of affairs.

Pursuant to the foregoing and proceeding from the principle of respect for the sovereignty of the German Democratic Republic, the Soviet Government will enter into negotiations with the Government of the GDR at an appropriate time with a view to transferring to the German Democratic Republic the functions temporarily performed by the Soviet authorities by virtue of the above-mentioned Allied agreements and under the agreement between the USSR and the GDR of September 20, 1955. The best way to solve the Berlin problem would undoubtedly be to adopt a decision based on the enforcement of the Potsdam Agreement on Germany. But this is possible only in the event that the three Western Powers return to a policy in German affairs that would be pursued jointly with the USSR and in conformity with the spirit and principles of the Potsdam Agreement. In the present circumstances this would mean the withdrawal of the Federal Republic of Germany from NATO with the simultaneous withdrawal of the German Democratic Republic from the Warsaw Treaty [organization], and an agreement whereby, in accordance with the principles of the Potsdam Agreement, neither of the two German states would have any armed forces except those needed to maintain law and order at home and guard the frontiers.

Should the Government of the United States be unwilling to contribute in such a way to the implementation of the political principles of the Allied agreements on Germany, it will have no reason, either legal or moral, for insisting on the preservation of the Four-Power status of Berlin. Some ill-wishers of the Soviet Union may of course try to interpret the position of the Soviet Government in the question of the occupation regime in Berlin as the striving for some sort of annexation. It goes without saying that such an interpretation has nothing in common with reality. The Soviet Union, just as the other Socialist states, has no territorial claims. In its policy, it is firmly guided by the principle of condemning annexation, i. e., the seizure of foreign territories and forced annexation of foreign peoples. This principle was proclaimed by Lenin, the founder of the Soviet state, as far back as the first days of Soviet power in Russia.

The USSR does not seek any conquests. All it wants is to put an end to the abnormal and dangerous situation that has developed in Berlin because of the continued occupation of its western sectors by the USA, Great Britain, and France.

An independent solution to the Berlin problem must be found in the very near future since the Western Powers refuse to take part in the preparation of a peace treaty with Germany and the Government of the FRG, supported by the same powers, is pursuing a policy

hampering the unification of Germany. It is necessary to prevent West Berlin from being used any longer as a springboard for intensive espionage, sabotage, and other subversive activities against Socialist countries, the GDR, and the USSR or, to quote the leaders of the United States Government, to prevent its being used for "indirect aggression" against the countries of the Socialist camp.

Essentially speaking, the only interest the United States, Great Britain and France have in West Berlin consists in using this "frontline city," as it is vociferously called in the West, as a vantage point from which to carry on hostile activities against the socialist countries. The Western powers gain nothing else from their stay in Berlin as occupants. The ending of the illegal occupation of West Berlin would cause no harm whatever, either to the United States or to Great Britain or France. It would, on the other hand, substantially improve the international atmosphere in Europe and set peoples' minds at rest in all countries.

On the contrary, the Western powers' insistence on continuing their occupation of West Berlin would lead to the conclusion that the matter is not confined to "indirect aggression" against the GDR and the Soviet Union, and that some other plans are apparently being kept in view for an even more dangerous use of West Berlin.

The Soviet Government makes this approach to the Government of the USA, guided by the desire to achieve a relaxation of international tension; to put an end to the state of "cold war" and pave the way for the restoration of good relations between the Soviet Union and the United States, as well as Great Britain and France; to clear away everything that gives rise to clashes and quarrels between our countries; and to reduce the number of causes leading to conflicts. Indeed, one cannot escape the fact that West Berlin, in its present status, is just such a source of discord and suspicion between our countries.

Of course, the most correct and natural way to solve the problem would be for the western part of Berlin, now actually detached from the GDR, to be reunited with its eastern part and for Berlin to become a unified city within the state in whose territory it is situated.

However, the Soviet Government, taking into account the present unrealistic policy of the USA as well as of Great Britain and France with respect to the German Democratic Republic, cannot but foresee the difficulties the Western powers have in contributing to such a solution of the Berlin problem. At the same time, it is guided by the concern that the process of liquidating the occupation regime may not involve any painful break in the established way of life of the West Berlin population.

One cannot of course fail to take into account the fact that the political and economic development of West Berlin during the period of its occupation by the three Western powers has progressed in a different direction from the development of East Berlin and the GDR, as a result of which the way of life in the two parts of Berlin are at the present time entirely different. The Soviet Government considers that when the foreign occupation is ended the population of West Berlin must be granted the right to have whatever way of life it wishes

for itself. If the inhabitants of West Berlin desire to preserve the present way of life, based on private capitalistic ownership, that is up to them. The USSR, for its part, would respect any choice of the West Berliners in this matter.

In view of all these considerations, the Soviet Government on its part would consider it possible to solve the West Berlin question at the present time by the conversion of West Berlin into an independent political unit—a free city, without any state, including both existing German states, interfering in its life. Specifically, it might be possible to agree that the territory of the free city be demilitarized and that no armed forces be contained therein. The free city, West Berlin, could have its own government and run its own economic, administrative, and other affairs.

The Four Powers which shared in the administration of Berlin after the war could, as well as both of the German states, undertake to respect the status of West Berlin as a free city, just as was done, for instance, by the Four Powers with respect to the neutral status which was adopted by the Austrian Republic.

For its part, the Soviet Government would have no objection to the United Nations also sharing, in one way or other, in observing the free-city status of West Berlin.

It is obvious that, considering the specific position of West Berlin, which lies within the territory of the GDR and is cut off from the outside world, the question would arise of some kind of arrangement with the German Democratic Republic concerning guarantees of unhindered communications between the free city and the outside world—both to the East and to the West—with the object of free movement of passenger and freight traffic. In its turn West Berlin would undertake not to permit on its territory any hostile subversive activity directed against the GDR or any other state.

The above-mentioned solution of the problem of West Berlin's status would be an important step toward normalizing the situation in Berlin, which, instead of being a hotbed of unrest and tension, could become a center for contacts and cooperation between both parts of Germany in the interest of her peaceful future and the unity of the German nation.

The establishment of free-city status for West Berlin would firmly ensure the development of West Berlin's economy, due to its contacts on all sides with the states of the East and the West, and would ensure a decent standard of living for the city's population. For its part, the Soviet Union states that it would contribute in every way toward the achievement of these ends, in particular by placing orders for industrial goods and amounts that would fully ensure the stability and prosperity of the free city's economy, and by regular deliveries on a commercial basis of the necessary quantities of raw materials and food stuffs to West Berlin. Thus, by the liquidation of the occupation regime, not only would the more than two million people of West Berlin not be harmed but on the contrary they would have every opportunity to raise their living standard.

In case the Government of the USA and the governments of Great Britain and France express their agree-

ment to consider the question of liquidating the present occupation regime in West Berlin by setting up a free city within its territory, the Soviet government would be willing on behalf of the Four Powers to enter into official contact on this matter with the government of the German Democratic Republic, with which it has already had preliminary consultations prior to the sending of the present note.

Naturally, it would also be realized that the GDR's agreement to set up on its territory such an independent political organism as a free city of West Berlin would be a concession, a definite sacrifice on the part of the GDR for the sake of strengthening peace in Europe, and for the sake of the national interest of the German people as a whole.

The Soviet Government, guided by a desire to normalize the situation in Berlin in the interest of European peace and in the interest of a peaceful and independent development of Germany, has resolved to effect measures on its part designed to liquidate the occupation regime in Berlin. It hopes that the Government of the USA will show a proper understanding of these motives and make a realistic approach to the Berlin question.

At the same time, the Soviet Government is prepared to enter into negotiations with the governments of the United States of America and with those of the other states concerned on granting West Berlin the status of a demilitarized free city. In case this proposal is not acceptable to the government of the USA then there will no longer remain any topic for negotiations between the former occupying powers on the Berlin question.

The Soviet Government seeks to have the necessary change in Berlin's situation take place in a cold atmosphere, without haste and unnecessary friction, with maximum possible consideration for the interests of the parties concerned. Obviously, a certain period of time will be necessary for the powers which occupied Germany after the defeat of Hitler's Wehrmacht to agree on proclaiming West Berlin a free city provided, naturally, that the Western powers display due interest in this proposal.

It should also be taken into consideration that the necessity may arise for talks between the municipal authorities of both parts of Berlin and also between the GDR and the FRG to settle any questions that may arise. In view of this, the Soviet Government proposes to make no changes in the present procedure for military traffic of the USA, Great Britain, and France from West Berlin to the FRG for half a year. It regards such a period as fully sufficient to provide a sound basis for the solution of the questions connected with the change in Berlin's situation and to prevent a possibility of any complications, provided, naturally, that the governments of the Western powers do not deliberately seek such complications. During the above-mentioned period the parties will have an opportunity to prove in practice their desire to ease international tension by settling the Berlin question.

If the above-mentioned period is not utilized to reach an adequate agreement, the Soviet Union will then carry out the planned measures through an agreement with the GDR. It is envisaged that the German Democratic Republic, like any other independent state, must fully deal with questions concerning its space, i. e., exercise its

sovereignty on land, on water, and in the air. At the same time, there will terminate all contacts still maintained between representatives of the armed forces and other officials of the Soviet Union in Germany and corresponding representatives of the armed forces and other officials of the USA, Great Britain, and France on questions pertaining to Berlin.

Voices are raised in the capitals of some Western powers that those powers do not recognize the Soviet Union's decision to relinquish its part in the maintenance of the occupation status in Berlin. But how can one place the question on such a level? He who today speaks of nonrecognition of the steps planned by the Soviet Union obviously would like to talk with the latter not in the language of reason and well-founded arguments but in the language of brute force, forgetting that the Soviet people are not affected by threats and intimidation. If behind the words about "nonrecognition" there really lies the intention to resort to force and drag the world into a war over Berlin, the advocates of such a policy should realize that they assume a very grave responsibility for all its consequences before all nations and before history. Those who indulge in sabre-rattling in connection with the situation in Berlin are once again betraying their interests in preserving for aggressive purposes the occupation regime in Berlin.

The Government of the Soviet Union would like to hope that the problem of normalizing the situation in Berlin, which life itself raises before our states as a natural necessity, will in any case be solved in accordance with considerations of statesmanship, the interests of peace between peoples, without the unnecessary nervous strain and intensification of a "cold war."

Methods of blackmail and reckless threats of force will be least of all appropriate in solving such a problem as the Berlin question. Such methods will not help solve a single question, but can only bring the situation to the danger point. But only madmen can go to the length of unleashing another world war over the preservation of privileges of occupiers in West Berlin. If such madmen should really appear, there is no doubt that strait jackets could be found for them. If the statesmen responsible for the policy of the Western powers are guided by feelings of hatred for communism and the socialist countries in their approach to the Berlin question as well as other international problems, no good will come out of it. Neither the Soviet Union nor any other small socialist state can or will deny its existence precisely as a socialist state. That is why, having united in an unbreakable fraternal alliance, they firmly stand in defense of their rights and their state frontiers, acting according to the motto—one for all and all for one. Any violation of the frontiers of the German Democratic Republic, Poland, or Czechoslovakia, any aggressive action against any member state of the Warsaw Treaty will be regarded by all its participants as an act of aggression against them all and will immediately cause appropriate retaliation.

The Soviet Government believes that it would be sensible to recognize the situation prevailing in the world and to create normal relations for the co-existence of all states, to develop international trade, to build rela-

tions between our countries on the basis of the well-known principles of mutual respect for one another's sovereignty and territorial integrity, nonaggression, non-interference in one another's internal affairs, equality and mutual benefit.

The Soviet Union and its people and government are sincerely striving for the restoration of good relations with the United States of America, relations based on

trust, which are quite feasible as shown by the experience in the joint struggle against the Hitlerite aggressors, and which in peacetime would hold out to our countries nothing but the advantages of mutually enriched spiritual and material cooperation between our peoples, and to all other people the blessings of a tranquil life under conditions of an enduring peace.

Moscow, November 27, 1958

United States-Latin American Relations, 1953-1958

REPORT TO THE PRESIDENT

by Milton S. Eisenhower, Personal Representative of the President

DECEMBER 27, 1958

DEAR MR. PRESIDENT: Five years ago I submitted to you a report¹ on United States-Latin American Relations following field observations in the ten Republics of South America and subsequent study with the Federal officials who had accompanied me on that fact-finding, good-will trip.

In the 1953 report, I emphasized the vital importance of Latin America and the United States to each other; suggested the principles which should be observed in strengthening hemispheric relations; analyzed those continental conditions which have a direct bearing upon United States policies and programs; and recommended a number of actions which I believed would be helpful in binding the American Republics into a co-operative enterprise directed toward the goals of peace, freedom, and rising levels of human well-being.

In the period September 1956 to May 1957, I had an extraordinary opportunity to learn the views of distinguished leaders of the twenty republics of Latin America. It was my privilege to serve as your personal representative on the Inter-American Committee of Presidential Representatives, which unanimously recommended to the Chiefs of State ways in which the Organization of American States might broaden the scope

of its activities for the benefit of the peoples of this hemisphere.²

In the summer of 1957, several associates and I, at your request, responded to an invitation from President Ruiz Cortines of Mexico, and made a fact-finding good-will visit to that country.

Then, in July of this year, the Assistant Secretary of State for Inter-American Affairs, the Assistant Secretary of the Treasury, the President of the Export-Import Bank, the Managing Director of the Development Loan Fund, a physician of the Johns Hopkins University, and I made a fact-finding trip to the five republics of Central America and to Panama,³ interrupting it for a few days to participate in Puerto Rico's sixth annual celebration of its having achieved Commonwealth status.

It had been my intention to submit to you soon after my return from this latest mission a report on our findings, and further recommendations for improving United States-Latin American relations. However, I found it desirable to spend all the time I could spare from my University duties in holding extensive discussions with Federal agencies, and one international agency, whose policies and programs have a significant bearing on this central problem. During the past four months I have had helpful conversations with you, the Vice President, the Secretary of State and other officials of the State Department, the Secre-

¹ For text, see BULLETIN of Nov. 23, 1953, p. 695.

² *Ibid.*, Oct. 1, 1956, p. 511; Mar. 25, 1957, p. 479; June 24, 1957, p. 1014.

³ *Ibid.*, Aug. 25, 1958, p. 309.

tary of the Treasury and some of his associates, the National Security Planning Board, the Board of Directors of the Export-Import Bank, the President of the International Bank for Reconstruction and Development, the Managing Director and other officials of the Development Loan Fund, various officials in other Departments, and the heads of some of our industrial enterprises with activities in Latin America. I suspect, therefore, that there have already been set in motion activities which will lead to such results as might be expected from my studies and observations. Hence this report, as an addendum to the one I submitted in 1953, is prepared primarily for the record.

I reaffirm essentially all I said in my report of 1953, but now I must add a note of urgency to my general recommendation that the nations of Latin America and the United States re-examine their attitudes and policies toward one another and constantly seek to strengthen their economic, political, and cultural relations, to their mutual benefit.

Latin America is a continental area in ferment. While its productivity is increasing, so is its population, at an unprecedented rate. A high degree of illiteracy, poverty, and dependence on one-commodity economies with consequent wide fluctuations in income still characterize most of this vast area.

But the people generally, including the most humble of them, now know that low standards of living are neither universal nor inevitable, and they are therefore impatiently insistent that remedial actions be taken. It is perhaps natural for them to look primarily to the United States for assistance.

Neither the people nor their leaders seek financial grants, save in a few isolated and emergency situations. Rather, they want public and private credit in increasing quantities, stable trade relations, greater stability in the prices of raw commodities which they sell, and technical assistance designed to hasten overall development primarily through improvement in education, health, and agricultural and industrial productivity.

The Need for Understanding

It is surely a truism to say that if the governments and peoples of this hemisphere are to cooperate fruitfully in ways that are mutually

beneficial—in ways that enable Latin America to achieve its aspirations without requiring an excessive drain upon the over-taxed resources of the United States—there must first be better understanding among them.

I commented at length on this in my previous report. I now must report that misunderstandings seem to me to be even more serious than they were in 1953.

In the United States, the problem stems primarily from a lack of knowledge. We wish to be a good neighbor. We want the Latin American republics to regard us as a faithful friend. But our people generally do not truly comprehend the problems and aspirations of our neighbors, and thus we sometimes take actions which are detrimental to the good relationships we wish to foster. Thus it is possible that the people of the United States would have favored actions different from those that were taken in the area of trade relations if they had been in possession of all relevant facts.

In Latin America, misunderstandings of our policies, programs, and attitudes are pervasive, and are impediments to the development of more fruitful cooperation.

Latin Americans believe that our economic capacity is essentially unlimited and that we are doing much more for other areas of the world than we are for Latin America. This leads them to conclude that their failure to obtain credit in the desired volume is either sheer perversity or discrimination on our part. That this is not so is beside my immediate point. Leaders and peoples think it is so. This persistent misunderstanding, noted in my previous report and found this summer to be even more strongly held, should warn us that new and dramatic action to overcome it is now imperative.

Another serious misconception is that we sometimes fix prices, to the detriment of Latin America. Everywhere one hears it said, among government officials, university students, and business leaders: "We must sell to you at prices you are willing to pay, and we must buy from you at prices you dictate."

Why is this false idea circulated? One of the most vexing problems in Latin America stems from an excessive dependence upon the export of agricultural products and minerals, whose prices are subject to sharp fluctuations in world markets,

whereas the prices of industrial commodities they buy are more rigid. That the United States does not fix prices—that raw commodity and industrial prices are determined in the competitive markets of the world, as they should be—is again in one sense beside the point. The erroneous belief noted above is widely held. It causes bitterness, and impedes rational resolution of substantive problems.

I am deeply disturbed by a gross misconception which is evidently fairly recent in origin. At least I did not encounter it in 1953. Based on a distortion of facts, a false impression is now held by certain misinformed individuals and is also being cleverly fostered by communist agitators. Despite our adherence to a policy of non-intervention, we are charged with supporting Latin American dictators in the face of a strong trend toward freedom and democratic government.

It is ironic that this charge is insidiously spread by international conspirators who represent the most vicious dictatorship in modern history.

These three examples of Latin American misunderstanding of our attitudes, policies, and capabilities are only illustrative.

In my previous report, I made nine recommendations for action which I hoped would help solve the problem. I know that since then notable work has been done by the United States Information Agency, the State Department, private businesses with branches in Latin America, and mass media. But the problem grows. New, heroic efforts are required.

I recommend that the United States take the leadership in urging the Organization of American States to place high on its program effective efforts to develop among the governments and peoples of the American Republics that genuine understanding on which fruitful cooperative action must be based.

(a) The OAS should urge each of the American Republics to establish a national commission of distinguished citizens who voluntarily would assume, as their major extramural responsibility, the promotion within each country of the type of broad understanding which is obviously required. Commission membership should include educators; editors; writers; leaders of business, agriculture, and labor; public officials, and prominent individuals from social and cultural institutions.

In the larger countries, I would hope that one hundred distinguished citizens would be willing to serve on each National Commission; in the smaller countries, twenty or more might suffice. As your representative, I made this recommendation to the Inter-American Committee of Presidential Representatives and it was there unanimously approved, but the recommendation has not been implemented.

I also recommend that each of the twenty-one governments be urged to assume a large measure of responsibility for promoting the relevant understanding within its own country.

Sometimes, I regret to report, misunderstandings are permitted to prevail or are encouraged for what may seem to be temporary political advantage. Actually nothing could be more self-defeating. Political leaders must in fact be leaders: Each has a profound responsibility for keeping his people informed with respect to those great problems and issues that determine relationships among the family of nations.

Responsibility for informing the people of the United States about Latin American policies, attitudes, and developments—to the extent this is a government duty—rests with the State Department. Responsibility for informing the peoples of Latin America about similar matters in the United States rests with the United States Information Agency.

I recommend that the information facilities of the State Department be increased, that the State Department cooperate continuously with the United States National Commission for Latin American Affairs (as recommended above) and that special efforts be made to induce the mass media of the United States to maintain competent correspondents in Latin America and to carry a steady flow of news and interpretive material from all twenty republics.

I also recommend that leadership, student, and other exchanges of persons be encouraged by every means. Fortunately, the United States official exchange-of-persons program has recently been increased. The OAS has initiated an excellent program of scholarships and fellowships. Private foundations should be urged to grant scholarships to young men and women who wish to study in the United States. American business enterprises with interests in Latin America should be encouraged to bring promising young employ-

ees to the United States for travel, training, and education.

I further recommend that the activities of the United States Information Agency in Latin America be increased:

(a) The bi-national center program should be expanded. It costs us little. It is rapidly helping to make English the second language of Latin America, and is enabling many Latin Americans to gain an insight into our total culture.

(b) The USIA publications program should be increased and modified so as to place particular emphasis on reaching students, intellectuals, and workers.

(c) Government, industry, and foundations might well cooperate in establishing, upon request, endowed chairs in leading universities of Latin America, especially in the social sciences and humanities. Initially, these chairs might well be occupied by United States professors, but eventually by national professors who have done advanced work in the United States.

(d) The USIA posts which had to be vacated because of the budgetary cut in 1957 should be filled.

(e) The private effort in Mexico of prominent Mexican and United States businessmen to develop mutual understanding should be studied; if found successful, as I am convinced it is, the USIA should arrange for business leaders in the United States to try to duplicate this pilot project in other Latin American countries.

I wish to call attention again to my 1953 suggestion that we should encourage the establishment in the United States of bi-national institutes for the teaching of Spanish. Our goal should be to develop genuine linguistic ability among all classes of our population so that we may communicate effectively and read the literature of Latin America. We are lamentably deficient in this respect. It is a shameful shortcoming in a country which has the burden of free world leadership.

In the National Defense Education Act, the Congress and the Administration have recognized our limitations in languages and knowledge of the cultures of regions of the world, and have made provision, on a matching grant basis to institutions of higher education, for the establishment of institutes to train teachers and promote the teaching of these subjects. This Act pro-

vides a good beginning toward the permanent establishment of bi-national institutes, and may indeed provide a source of well trained personnel for them.

The Need for Credit

Though vast opportunities exist in Latin America to increase the efficiency of agricultural production—and each of the countries should intensify its efforts in this area—nonetheless it is clear that a substantial increase in levels of living requires industrialization. This calls for many things, including a steady flow of private and public credit.

The United States drew vast quantities of capital from Europe during the early years of its industrial revolution; so today must the republics of Latin America look to the United States and perhaps to certain European countries for development capital.

Sound loans in impressive volume have been made over a period of years by the Export-Import Bank, and by the International Bank for Reconstruction and Development. Private United States credit and investment have been of powerful help to Latin America. About twenty per cent of outstanding United States investment is public, eighty per cent private.

The granting of public and private credit must be accelerated. This seems to me to require four things: First, each nation of Latin America must do a better job than heretofore in overall economic planning and in determining priorities within its development program; second, we must coordinate the knowledge about programs of the lending institutions, public and private; third, public lending institutions should take a positive attitude in the use of credit as a means of helping Latin America achieve its aspirations, and, fourth, each Latin American Republic must take those actions which will attract private credit, since it cannot and should not be directed.

An imperative first step is more effective economic analysis and planning by nations which desire development capital. Sound planning, with project priorities assigned, and with knowledge of which projects might be eligible for public credit and which for private credit, would be conducive to the receipt of maximum loans. Lending institutions cannot satisfy the total needs

of a borrowing nation at one time, nor could a borrowing nation absorb vast sums quickly without causing economic dislocations. Timing is important: One loan, launching a successful enterprise, may make a second development loan feasible. A public loan, such as for a highway into virgin territory, might make possible a new private industry, such as a pulp and paper mill.

Occasionally, confusion has been caused among lending institutions when nations seeking credit have presented conflicting requests, or have suddenly shifted their priorities; these and other shortcomings could be overcome by competent economic analysis and planning.

I recommend that the projected Inter-American development institution subsequently discussed herein, be so organized and staffed as to assist the American Republics in development planning, in the assignment of priorities, and in the preparation of loan projects, and that the United States International Cooperation Administration assist in the financing of this section of the development agency through its technical cooperation funds.

I should also like to see tried a pilot project in joint planning similar to that which was attempted five or six years ago by the United States and Brazil. The only criticism I have heard of that intensive cooperative effort is this: Brazilian officials erroneously developed the belief that the joint planning constituted a commitment on the part of the lending institutions to finance the projects developed; this of course was not and could not have been true; recriminations flowed from the misunderstanding. Otherwise, all seem agreed that the joint effort was remarkably successful. It ought not to be difficult to avoid the recurrence of misunderstanding.

Once a nation has assessed its potentialities and produced a sound program with priorities, it is in a better position to utilize the facilities of lending institutions; initial applications must be well prepared if they are to meet with favorable responses. In the absence of sound planning of this kind applicants for loans may become confused and frustrated.

Effective borrowing by Latin American countries also requires an understanding of the policies and limitations of the International Bank for Reconstruction and Development, the International Finance Corporation, the International Monetary Fund, the Export-Import Bank, the De-

velopment Loan Fund, United States Treasury, the International Cooperation Administration (which has made one or two emergency loans in Latin America) and many private institutions.

The development program of a country may require the cooperation of several public and private institutions, first, in determining the credit capacity of a nation and, then, in timing several types of loans in such a way that one supports the other.

I recommend that the proposed inter-American development institution exercise leadership in this field; that it promote more specific planning by Latin America in the utilization of existing credit facilities; that it have broad responsibility for achieving greater understanding and coordination in the whole field of loans to the Republics of Latin America.

I cannot over-emphasize the constructive good that has been done in Latin America by the World Bank and by United States lending institutions. World Bank loans to Latin America now amount to about \$150,000,000 a year, and total loans outstanding approximate \$800,000,000. Forty per cent of Export-Import Bank loans over a period of years has been made to Latin American nations; in all, it has authorized \$3,500,000,000 of such loans, with current outstanding commitments of \$1,800,000,000. The last Congress increased the lending authority of the Bank from \$5,000,000,000 to \$7,000,000,000, so that the Bank now has substantial sums available for lending.

I imply no criticism of these and other lending institutions when I point out that they have pursued the normal procedure of waiting for applications to come to them in proper form and dealing with applications, when presented. So far as United States lending institutions are concerned, I am convinced that the time has arrived for us to take a more positive approach in using credit as an effective means of forwarding American foreign policy; this clearly involves helping Latin America achieve its sound economic goals and thus serving the best interest of the United States itself.

I recommend that United States lending institutions, with the help of IBRD if possible, inform the Republics of Latin America that they stand ready, as a cooperative group, to consider sympathetically the extension of sound, well-timed loans in support of practical development plans,

and that they will meet jointly with delegations from each applicant country to determine how credit resources may best be employed to help that nation proceed effectively with its economic program.

Shortly after my return from Central America and Panama, the United States notified the leaders of Latin America that it was prepared to consider participation in a new Inter-American Development Institution. This offer was in response to a suggestion which had been advanced persistently by the twenty Republics of Latin America for many years.

Many aspects of the financing of economic development were discussed at length at the meetings of the Committee of Presidential Representatives in 1956 and 1957, including a specific proposal looking toward the establishment of an Inter-American financial agency. The Personal Representatives of the Presidents of the Latin American Republics, while acknowledging the benefits which "existing international (and national) financial agencies have been providing for the development of . . . their countries," nonetheless stated that "it is their firm opinion that those benefits do not cover the entire field and are insufficient to enable the Latin American countries effectively to achieve an adequate rate of investment in projects which they consider essential to their economic improvement and a rise in their standard of living."

As your personal representative, I found it necessary to oppose this recommendation, first, because I felt that the question was outside the mandate which you and the Presidents of the other American Republics had placed upon our Committee, and, second, because I then agreed with the long-standing attitude of the United States which is expressed in this statement in the Committee's report to the Chiefs of State:

The Representative of the President of the United States maintained that the resources of existing institutions are adequate to meet the effective demand, and that the creation of new credit institutions could therefore not be justified, since greater progress would be made by using the existing ones. He stated that there had been no change in the United States position (as set forth) at the Meeting of Ministers of Finance or Economy at the Fourth Extraordinary Session of the Inter-American Economic and Social Council with respect to proposals for the establishment of new credit institutions.

At the time I took this officially authorized position, the Development Loan Fund had not been

established. This Fund was created primarily to replace grants with loans. It has broader authority than the Export-Import Bank. It can, for example, make loans for local currency expenditures, and sometimes loans may be repaid in local currency. The latter are called "soft" loans in the jargon of the banking world. Such loans are not "soft" in the sense that they are unsound or are grants in disguise. They are "soft" only in the sense that the credit extended may be repaid in the currency of the borrower rather than in dollars.

It is important that the people of the United States understand this. No responsible person has suggested that the United States Government make economically unsound loans. Nothing could so undermine the whole field of international credit.

For what it is worth, I applaud the Administration and the Congress for changing from grants to loans in our program of assisting foreign economic development. Except in unusual emergency situations, I believe grants for this purpose yield only temporary benefits and may cause ill will in all countries save those receiving the largest grants.

There can be no doubt that "soft" loans are needed in Latin America. Like most other underdeveloped areas of the world, Latin America suffers from a shortage of domestic savings. Hence, sound development projects may require loans involving both domestic and foreign capital. Further, until underdeveloped countries, including those of Latin America, can increase their productivity and their exports, which can assure favorable balances of trade, they may lack dollars or other borrowed currencies to meet repayment schedules, even though they could meet their obligations in local currencies.

The Development Loan Fund is now operating on a global basis, although its loans to Latin American countries have thus far been relatively limited. However, a conviction is growing that effective cooperative efforts of borrowers on a regional basis should be encouraged whenever desired by the countries concerned. This was implicit in our shift in policy when we announced our willingness to consider in principle the establishment of an Inter-American Bank.

Latin America is a natural region for such an

agency, and there can be no doubt about the existence of the desire and ability to cooperate.

An Inter-American development institution, properly conceived, established and operated, can command the cooperative talents of the twenty-one American republics; it can place a high degree of responsibility for the success of the agency on the Latin American nations themselves; it may be able to tap private as well as public sources of credit.

It is essential, of course, that the development agency be set up soundly, with the right policies and limitations.

For example, the new agency, if established, should not be operated in such a way as to diminish the programs in Latin America of the Export-Import Bank and the World Bank.

In its initial stages the new institution could well study the operations of the Export-Import Bank: its impressive record of help to our neighbors, of businesslike management, and of interest and loan repayments. It might draw on Export-Import Bank's competent and efficient management.

I urge that the United States proceed as rapidly as possible to cooperate with leaders of the Latin American Republics in creating an Inter-American bank. Such a new institution should coordinate its operations closely with those of the World Bank, United States lending institutions and private lending agencies to the end that the total flow of development capital into Latin America may be increased.

(a) I believe that the United States should subscribe a significant portion of the paid-in capital of the new institution, the remainder to be provided by the twenty Latin American Republics. The authorized capital of the institution might be somewhat greater than the paid-in capital, the difference representing a guarantee fund which would help the new institution to issue its bonds in private capital markets. Depending upon future developments, and subject to Congressional approval for any increased subscription by the United States, provision might be made for the member governments to propose subsequent increases in paid-in capital on the same basis as that outlined above.

(b) With respect to its hard-loan activities, the United States should urge that the Inter-American Bank adhere to sound lending policy so that

in time its securities will become marketable, thus making possible the tapping of private credit markets.

(c) The institution should have limited authority to make soft loans from a portion of its subscribed capital. Any soft-loan activity of the bank, however, should be segregated in some way from the hard-loan operations of the institution. Should the United States agree to subscribe a somewhat higher proportion for any capital authorized for soft-loan purposes, it should maintain an appropriate degree of authority in the direction of the soft-loan operations of the institution.

(d) The initial capital advances made by the United States should be under a new authorization which would permit the Treasury to subscribe the funds directly to the new bank.

(e) Assuming the willingness of the IBRD, the Inter-American development institution should maintain informal methods of credit coordination for Latin America and should provide a source of information and advice to the member nations seeking loans.

(f) The new Bank should use every means at its disposal to encourage each cooperating country to develop local savings, private and public, for participation in development projects.

(g) The Bank should try to obtain an outstanding Latin American, thoroughly familiar with financial matters, as its President. Each country should designate a member of its Board of Governors, each Governor having a weighted vote according to the percentage of capital advanced by his country. A smaller Board of Directors should supervise day-to-day operations of the institution. If the headquarters of the Bank were to be in Washington, daily coordination with other credit institutions would be facilitated.

As I have previously said, about eighty per cent of all United States capital now invested in Latin America is private. In recent years new private capital has flowed from the United States to Latin America at the rate of \$600,000,000 a year. Each nation of Latin America should take every feasible step to encourage this capital movement. Private funds will always be available in larger quantities than will public funds, and private loans usually carry with them technical and management skills which may make the difference be-

tween success or failure, particularly in the early stages of new developments.

In some Latin American countries, irrational assumptions are made about private capital. It is said that private credit is imperialistic—that it is an expression of “dollar diplomacy.” Of course this is not so. Nearly all of the trade between the United States and Latin America, amounting to about eight billion dollars a year, is privately financed, and it does not result in any sort of imperialism. Just as the private loans we obtained from Europe in our early history—and finally paid off with interest by 1918—aided our development and did not impinge upon our freedom, so too will private loans to Latin American enterprises help those countries advance without detriment to their sovereignty.

This problem is largely outside our hands. Private capital cannot be driven. It must be attracted. Attracting private capital to Latin America, in view of the competitive demand for it in the United States and throughout the world, is not an easy matter. It involves the avoidance of discriminatory restraints, the maintenance of stable financial and political policies within each country, the absence of discriminatory labor laws, control of inflationary forces, a reasonable return on the investment, ability to remit dividends to the lending country in the currency of that country, and, above all, a favorable attitude toward private competitive enterprises which are to be financed with the private capital.

I was favorably impressed to observe in Central America and Panama a strong tendency toward financial stability. I noted a genuine concern for keeping budgets balanced, and currency stabilized and convertible. I found greater faith being placed, as contrasted to my observations in 1953, in private competitive enterprise.

The people of the United States are often critical of Latin America for seeming to place greater emphasis on public credit than upon private credit. It is important for us to realize that competitive private enterprise is not precisely the same in each nation to the South as it is in the United States. In this country we have a socially-conscious private enterprise, whose benefits are widespread, and which gives fair returns to capital, management and labor; it is a system that has benefitted all the people, permitting their standards of living to rise to unprece-

dented heights, with seemingly no end to the advance. In all history its results have not been matched.

But we should be aware of the fact that in some Latin American countries private competitive enterprise may bestow generous benefits upon a relatively few, and only meager benefits upon the masses. Tax systems may not adequately reflect the capacities of different groups to carry their fair shares of the total burden. On the other hand, in several South American countries various controls and regulations have been placed on private enterprise which have hampered its ability to contribute to the benefit of the people as a whole.

With gratification I can report that these shortcomings are gradually being overcome in some countries, perhaps as rapidly as normal cultural and intellectual change will permit; but the narrowly-distributed rewards of private enterprise in certain industries and countries still cause undue emphasis to be placed on public credit which can initiate those types of development which obviously are designed for the benefit of large numbers of people.

I believe that a proper coordination of increasing quantities of public and private credit to Latin America, each type supporting the other, will help the people generally to lift their levels of well-being, and that gradually the benefits of private competitive enterprise will be more widely shared. Thus the degree of reliance on private credit which we deem appropriate will in time be achieved. In the meantime, patience grounded on understanding will be helpful.

As to tax incentives to the flow of private capital, the State Department has recently asked leading businessmen to study this problem. Under Secretary C. Douglas Dillon recently stated⁴ that

There is one new incentive in the field of taxation which we are already prepared to adopt. . . . Under United States law, if a foreign government grants a special income-tax reduction in order to attract the United States investor, that investor has to pay to the United States Government whatever has been waived by the foreign government. We are seeking to correct this situation so that tax benefits granted to induce investment abroad can retain their full effect. . . . the United States Government is prepared to consider conventions which . . . would contain a tax-sparing provision that would cure

⁴ *Ibid.*, Dec. 8, 1958, p. 918.

this situation. The only way to accomplish this is by treaty. We invite negotiations.

The Need for Social Development

It is only natural that most of the dollar credits which have been made available in Latin America have been loans repayable either from tax revenues or from the earnings of the enterprises meriting the loans. Beyond this, however, many leaders in Latin America point out the need for "social development": They contend that the lack of housing constitutes their most serious single social problem. They hope a method can be found to make credit available for home, hospital, and related construction. In one country I visited this summer, I was told that nine persons, on the average, live in each small room. Health conditions are sub-standard. Ill individuals are not productive. It is argued that better housing would improve health, attitudes, and productivity; hence that loans for housing construction are merited.

I feel that we should be prepared to assist other countries in improving their health and sanitation facilities. Loans for these purposes have been available in the past and should continue to be. The problem of housing finance is, however, much more difficult. There are situations where extremely low productivity of the worker and low levels of income do not permit the worker to pay the economic cost of what would be considered adequate housing. Even in advanced countries, housing makes very heavy demands on savings, and absorbs a large share of the income of the workers.

The choice is then between subsidizing housing for the individuals concerned or—and this is, of course, a long-range solution—raising productivity and improving the level of income in order to permit the worker to buy or rent adequate housing. While the second is clearly the better course, it is, as I have mentioned, a long-run solution. As to subsidizing housing in one way or another, this is a decision for each individual government; the social and political implications of such a decision are far-reaching and it does not appear that foreign governments or international institutions should participate in that activity.

A second reason for housing shortages lies in the inflationary conditions existing in some countries. Housing finance is normally long-term financing. In inflationary conditions, a long-term loan, ex-

pressed in monetary terms as it must be, will have lost much of its purchasing power by the time the loan is repaid. Under these conditions, domestic lenders are not prepared to put their money into mortgages.

A third explanation of the housing problem is found in the rapid growth of cities. In an area where total population is growing rapidly, urban populations are expanding even more sharply. Under the best of economic conditions, a lag in the provision of adequate housing would be expected in these circumstances.

None of these explanations serves to ameliorate the housing conditions. They do indicate, however, that the financial problem is of such an enormous magnitude throughout Latin America, and indeed in other parts of the world, that any attempt to attack it by the use of public international funds would be doomed to failure. At best, the funds available for public lending are limited. If they are to make the greatest possible contribution to the economic development of friendly countries, they must be used primarily in the most productive way. Whatever we may think about the social desirability of improved housing, we cannot assert that investment in housing contributes directly and in the short-term to increased productivity to the same extent as does an investment in transportation, power, irrigation, or manufacturing.

I suggest, therefore, that the nations of Latin America should not look to the United States or to international agencies for significant financial assistance in housing but should pursue vigorously the path of economic development and inflation control in order to enlarge the national product and available savings, and thus widen the margin that can be devoted to improvement of housing.

In a few isolated instances, however, loans for housing might be made by private agencies in the United States. Thus, thousands of Panamanian employees of the Canal Company today receive sufficiently high wages that they could meet interest and amortization payments on homes at low cost. Local private capital apparently is not now available. The establishment of a Panamanian Housing Agency, with some support from the Panamanian Government, and with substantial credit from one of the private institutions, could quickly initiate a sizeable undertaking, without violating the principles of sound lending.

I refer to this whole matter in this report primarily because housing is high on the agenda of nearly every inter-American conference and in all discussions such as I was privileged to have this summer. Failure to mention the matter now might be misconstrued in Latin America as indifference to the problem.

The Need for Regional Common Markets

Closely related to credit requirements is the need for Latin America to develop a common market.

A special committee under the aegis of the Economic and Social Council of the United Nations recently published an excellent study which sets out the advantages that would accrue to the Latin American nations if they were to develop a common market: the free movement of goods, services, and individuals, without tariffs or other impediments, across national boundaries. But a common market for all twenty republics is at best remote. Hence, I attach great importance to the fact that in Central America, and possibly in Panama, there is today a favorable attitude toward the construction of a regional common market.

I would point out the obvious: If each of the States of the United States were an independent nation, each with tariff and other barriers, the people of this country would today have a very low standard of living. We have a vast common market available to us at all times, enabling each industry to locate at the point of greatest efficiency of production, and to sell in large volume, without restriction, to 176,000,000 people. Over a long period of years, our growing efficiency has enabled us to increase the quality of products and to lower prices (in terms of a stable dollar), so that both essential goods and luxury items are available to most citizens of the United States at reasonable cost.

Many countries of Latin America are smaller than most of our States. It is difficult, if not impossible, for a steel mill, or an aluminum or cement plant, to be successfully operated in one of them, with its market severely restricted; in such circumstances, an industry cannot develop the efficiency which would permit it to sell products in competition with those produced by United States, Canadian, and European industries.

In my judgment, this, more than any other

fact, is responsible for the slow rate of industrialization of many Latin American nations, and therefore for their precarious dependence upon the export of a single commodity, such as coffee or tin.

The five nations of Central America have agreed upon certain initial principles, looking to the creation of a regional common market. They will permit free movements of persons; by agreement, they will foster the establishment of a single new industry in each of the five countries, with unrestricted privilege of selling in the entire area; this accomplished, they will proceed to try to establish a second new industry in each country.

This may be a halting and even faulty beginning, but it is a beginning, and deserves open encouragement from the United States.

I recommend that, after careful preparation through appropriate channels, the United States participate with the five republics of Central America, and Panama if possible, in a regional conference, either at the Ministerial or technical level, to stimulate public and private lending institutions, and private industrial enterprises, to take a positive approach in helping Central America and Panama to the end that new industries, guaranteed free access to the entire market of the participating countries, would be established; that every effort be made to have this development serve as a model for all of Latin America; and that such steps as may be deemed appropriate be taken to encourage the northern group of South American countries, and the southern group of South American countries, to consider the creation of common regional markets in those areas.

The Need for Price Stabilization

One of the most complex problems in Latin America derives from the fact that raw commodity prices are continuously changing. I have previously pointed out that this has evoked detrimental misunderstandings; it is a substantive problem of real import.

Fifteen nations of Latin America produce coffee. In several of them, the sale of coffee to the United States accounts for as much as eighty-five per cent of their exports to us; the dollars earned through the sale of coffee are used for the purchase of equipment and manufactured and processed goods. If the price of coffee declines, the eco-

conomic and political stability of the producing nation may be threatened.

Coffee is now being over-produced. Production is increasing at a faster rate than consumption: Production is growing at an annual rate of more than five per cent, but consumption is increasing only two or three per cent a year. Hence raw coffee prices, now deemed by Latin America to be too low, are further threatened. In one country, a one-cent drop in the price of coffee causes a loss of eight million dollars in export earnings. That is catastrophic to a country ridden with debt and suffering from a very low income.

It is not surprising that the producing nations instinctively look to the United States, the largest consumer of coffee, for cooperation and assistance.

The United States, with sympathetic understanding of the seriousness of this problem to the producing nations, has helped to create an international coffee study group which, I am sure, is causing experts in the field to stop chasing shadows—to cease directing criticism where criticism is not due. Now, instead, all the facts about changing production, consumption, quotas, surpluses, and tax impediments are being objectively analyzed, and from these facts possible courses of action are being carefully considered.

Already producing nations of this hemisphere (it would be better of course if the six producing nations of Africa could also be induced to cooperate) have developed an Inter-American coffee marketing agreement. The hope is that the orderly movement of coffee to market in harmony with demand will help to stabilize the market. Brazil is withholding 40 per cent of its coffee from market; Colombia, 15 per cent; smaller producers, 10 per cent; the smallest producers, 5 per cent.

I recommend that the United States, if requested to do so, cooperate to the extent of furnishing such information as laws and regulations permit to assist the producing countries in enforcing agreed-upon marketing quotas.

I do not believe that we should go beyond this. Further, in cooperating, we should make certain facts and possibilities abundantly clear to the producing nations.

We in the United States for twenty-five years have sought through governmental programs to support agricultural prices—to achieve what we call “parity” of relationship between agricultural

and industrial prices. We are now spending more than six billion dollars a year on this effort within a single country. The price relationship achieved, while helpful to farmers and hence to our entire economy, has not, save in war-time, reached the goal of “parity.” With reasonably satisfactory prices, production control has proved difficult. We have accumulated huge surpluses. The storage charges on them are a million dollars a day. Even with a billion dollars of Federal funds each year (P. L. 480) to help dispose of these surpluses, we find it extremely difficult to do so without causing new problems for other countries. Thus, our recent efforts to reduce the cotton surplus have caused economic difficulty in two Latin American countries, and the shipment of rice to another has hurt one of the smallest South American nations.

This experience, involving only one nation, suggests the difficulty of having stabilization programs succeed when many nations are involved. It should be a pointed warning to the producing nations not to place too great faith on marketing quotas for coffee. If such quotas do for a time stabilize the price of coffee at a fairly good level, this in itself could further stimulate production, cause the accumulation of additional surpluses, and lead eventually to the collapse of world coffee prices.

Any commodity stabilization plan must be accompanied by unrelenting efforts to broaden coffee markets, reduce production costs, increase quality, and divert high-cost acres (in terms of coffee production) from that commodity to other crops for domestic consumption or export.

It is worth pointing out that if certain nations of the world purchased as much coffee per capita as do the people of the United States, the coffee surplus would quickly disappear. One prosperous European nation now has two types of taxes on coffee, and these greatly diminish the consumption of coffee. If the producing nations could persuade this country to eliminate the regressive taxes, consumption might well increase fully two million bags a year. I mention this in order to emphasize that the producing nations should not look exclusively to the United States for the solution to this problem; more than this, they should not look primarily here for that solution. This must be self-evident. Either they must sell more or produce less.

The problem of price fluctuations in coffee is

repeated in varying degrees with respect to nearly every major commodity which Latin America sells to the world. While the relationship of raw commodity and industrial prices is more favorable to Latin America than it once was, especially prior to World War II, nonetheless it must be said that the recent deterioration in Latin America's terms of trade represents a serious problem for the area.

This does not imply that I believe we should participate in a gigantic hemisphere scheme to stabilize prices artificially. Such an effort would violate most of our basic economic tenets; quite apart from principle, the attempt would fail dismally. The Western Hemisphere is not isolated from the rest of the world. Nearly every product produced in Latin America is also produced in other regions.

Some remedial measures in selected situations can be taken by the producing nations of the world, and in many of these situations they do not need to look to the United States for a helping hand. Thus the six or seven producers of tin were cooperating fruitfully for several years in delivering tin ore to world markets in such a fashion as to avoid serious ups and downs in prices. This was of crucial importance to Bolivia, which must earn dollars and sterling through the sale of tin ore in order to buy food for her people, who have an average per capita income of less than one hundred dollars a year. Then Russia, evidently for no other reason than to scuttle this cooperative effort, dumped thousands of tons of tin upon the world market, causing temporary chaos.

Other instances indicate that Russia intends to disrupt markets to the detriment of Latin America whenever she can, and then seek to place the blame on the largest purchaser of Latin America's raw commodities, the United States. Russia has bartered for certain Latin American commodities, only later at strategic times to dump them back on the open markets of the world.

But while the United States should not and cannot become a party to unworkable, artificial plans to stabilize prices of most commodities—and this should always be made clear—nonetheless much is to be gained by having study groups, similar to that for coffee, obtain and analyze all the facts with respect to each major commodity: information about total production, production costs, present and potential market demand;

trends in uses of the commodity, and so on. The facts, when developed, should be widely distributed, especially in producing nations, not only among experts, but among the masses of the people, whose understanding is essential.

I recommend that the United States, when requested by producing nations, participate in single-commodity study groups, giving every possible technical assistance, but always making clear that our participation in no way implies subsequent cooperation in plans the producing nations might develop to stabilize prices.

The Need for Technical Cooperation

The technical cooperation program of the United States, now world-wide, originated in our programs with Latin America. They have been helpful to the participating Latin American countries. They have promoted agricultural efficiency and diversification, brought higher standards of health and thus of productivity, helped foster better education, and promoted more skillful management in many enterprises.

We are now spending about \$32,000,000 a year on technical cooperation programs in this hemisphere, not counting payments to the Organization of American States and the United Nations which also have certain specialized technical programs in some of the republics. I recommend a modest increase in these programs.

Theoretically, all United States activities within a country of Latin America (as in other countries of the world) are under the coordinating direction of the United States Ambassador. This is not sufficient.

I recommend that the technical cooperation program for Latin America be under the direct supervision of the Ambassador in each country.

I further recommend that the Assistant Secretary of State for Inter-American Affairs be given authority under the general guidance of the Under Secretary of State for Economic Affairs, to coordinate the technical cooperation programs in Latin American nations with the diplomatic, social, cultural and other activities over which he has cognizance.

The Need To Up-Grade U.S. Activities Affecting Latin America

In my formal report to you in 1953, and in informal reports in 1957 and 1958, I have expressed

my strong conviction that the American Republics are uniquely important to one another: Our economic interdependence is immense; our political interdependence in a threatened world is notable; our cultural interdependence is growing rapidly, and our shared aspirations for freedom, independence, peace with justice, and rising levels of human well-being assure that the cooperative processes in the community of nations can work here. The American nations for many years have been able to settle their intra-hemisphere disputes by peaceful means. They have developed the most effective regional organization in the world—an organization through which they have espoused principles of mutual security, mutual respect, and cooperation that stand as models for all the world.

I believe that this unique relationship merits special organizational recognition in the structure of our Federal Government. I am persuaded that such recognition could be attained without causing misapprehension among other nations or regions. I understand that the Vice President, following his trip to South America this year, became convinced of this.

Special recognition of the interdependence of the American nations would help overcome a persistent misunderstanding of the United States in Latin America—a misunderstanding which I reported in 1953, and which I found this summer still to exist, now with a trace of bitterness: It is a belief that we consider other areas of the world to be more important to our future than is Latin America. Nothing could be further from the truth.

This feeling results from several circumstances. Most of the publicized statements of our top government officials, executive and legislative, tend to deal with the crisis areas of the world, not with Latin America. Latin America feels that the vast expenditures under the European Recovery Program, in which she did not participate directly, notwithstanding her indirect gains from it, and under the Mutual Security Act, in which she has participated only to a minor degree, demonstrate our preoccupation with other nations, especially since Latin America has not at the same time been able to obtain loans in desired volume. While our attitude toward Latin America with respect to the principles of mutual respect, juridical equality of states, and non-inter-

vention in their internal affairs has been exemplary for twenty-five years, nonetheless they have lingering memories of previous periods when the United States had a patronizing attitude toward their countries, sometimes intervened in internal affairs, and occasionally engaged in outright imperialism. Their apprehensiveness might well disappear, after a quarter of a century of sound policies and relationships, were it not for the other two factors I have just mentioned.

Of course neither of these two factors actually supports what they believe. I have elsewhere pointed out in detail how our world expenditures under the European Recovery and Mutual Security Acts have brought great benefits to Latin America; that there has not been either discrimination or a lack of appreciation of the high importance we attach to continuing good relations in the Western Hemisphere.

But I emphasize that the belief persists throughout Latin America that we do not by words or deeds demonstrate what we profess.

I have sought to find, in discussions with many officials and others, a method by which we could give continuing expression to our sincere recognition of the interdependence of the American Republics.

I recommend that you establish a Council on Inter-American Affairs, whose task would be to advise with the Secretary of State on all matters of hemispheric importance, bringing to him creative ideas for strengthening relations, and constantly emphasizing by its very existence and public statements the importance which the Government and people of the United States attach to good partnership among the American Republics.

(a) The Secretary of State should be the Chairman of the Council and the Assistant Secretary of State the Vice Chairman. Its membership should include three, perhaps five, American citizens from the fields of business and cultural life who are known to have an abiding interest in Latin America; a member of the Senate Committee on Foreign Relations, a member (from the opposite political party) of the House Committee on Foreign Affairs, and consultants from those agencies of the Federal Government which administer programs of importance to Latin America, including the Treasury, the Export-Import Bank, the Department of Agriculture, the

Department of Labor, the Department of Commerce, and the Development Loan Fund.

(b) In its first year, the Council might meet bi-monthly. It should explore with the Secretary of State every aspect of inter-American relations; it should be helpful to the Secretary in informing the American people accurately of critical developments; it should bring ideas from the fields of business, banking, education, and cultural life generally to the Secretary where these would be helpful to solutions of central problems; most important, it should be a constant reminder of the special importance the United States attaches to hemispheric relations. After the first year, it might be sufficient for the Council to meet every three or four months.

(c) The Council should be purely advisory. Its members should accept a special responsibility for promoting understanding in those areas of American life which they represent and among our people generally; they should be helpful to the OAS National Commission in this country, previously recommended in this report; informed and dedicated to Pan Americanism, they might well be available to you and to the Secretary of State for special missions to Latin America from time to time.

(d) The Council should be non-partisan. As assurance of this, both major political parties should be about equally represented in its membership.

The Need To Maintain Stable Trade Relations

In my report of 1953 I said:

I specifically recommend:

... That the United States adopt and adhere to trade policies with Latin America which possess stability, and with a minimum of mechanisms permitting the imposition of increased tariffs or quotas. I consider this matter of stability and consistency the outstanding requirement.

The nations of Latin America pay for what they obtain from us. Their purchases from us are governed almost wholly by the volume of our purchases from them.

Occasionally the importation of a particular commodity (into the United States) may cause temporary difficulty for one of our industries. But if we raise the tariff on that commodity, the export sale of other United States commodities is certain to decline. The question then becomes: Which United States industry, if any, should be temporarily disadvantaged? And the change in our tariff may seriously weaken the entire economy of a Latin American nation.

The United States Government, in harmony with the prevailing thought in both the Executive and Legislative branches, has sought generally to refrain from making changes in the rules of international trade which would cause harm in a Latin American nation and which, for the reasons I have cited, would not in fact help the United States as a whole, though might temporarily benefit a particular industry.

However, some of our activities in disposing of agricultural surpluses, and in imposing import quotas, have not been in harmony with the general principles for which we stand.

I understand the reasons which impelled us to take each such action.

Partly through the operation of our own stabilization programs, we had lost a share of the world cotton market which we had long enjoyed. We felt entitled to get back that fair share. Few would argue to the contrary. Criticism can be directed not so much toward this final decision, as toward the changing policy. When we held cotton from the world market, production expanded in several nations of the world, including Mexico and Nicaragua. This was not a calculated scheme on their part to take over a market we had previously enjoyed. It was their natural response to a price situation which made it profitable for them to grow and sell cotton. They not only shifted much acreage to cotton, but they developed many facilities, including transportation, to handle and market it. When we changed the rules of the game and decided to export more cotton, Mexico and Nicaragua suffered substantial loss. They then were compelled to reduce their purchases of goods and services from us.

The difficulty with respect to lead and zinc—which are produced by several Latin American nations—was also some years in developing. Similarly, the eventual imposition of quotas caused economic distress, especially in countries with only a few commodities for export, although I understand a concomitant effect has been the firming up of the market for lead and zinc.

Each nation of the world obviously develops policies and programs in its own interest. The nations of Latin America do this. They would be the first to admit it.

The United States perhaps occupies an unusual position in this regard. It is the free world's

creditor and leader. It has a mature, diversified, profitable economy. Sudden changes in rules may have little noticeable national effect (though perceptible local effects) on our economy, and thus the public may be unconcerned, but the same changes may have far-reaching and sometimes disastrous effects upon the economy, level of living, and political stability of a friendly nation.

I have no thought or word of criticism for the final actions which in the two cases cited seemed to be essential to the well-being of the United States.

My earnest suggestion is that the United States maintain as firm a policy of stability in trade relations as it possibly can, recognizing that our own long-time interest as a creditor country and free-world leader requires this; and that in those rare instances where a departure from this policy seems unavoidable, we use every means at our disposal to explain in detail and in advance to affected friendly nations of Latin America the compelling reasons for our actions.

The Need for a Modified Attitude Toward Dictators

Everywhere Vice President Nixon went in South America, and everywhere I went in Central America this year, the charge arose that while the United States treasures freedom and democracy for itself, it is indifferent about these in Latin America—indeed, that we support Latin American dictators. I have previously mentioned this as a serious misunderstanding. It is just that. But I now wish to recommend a change in policy which may seem slight, but I think it is important.

In my visits with Panamanian and Central American leaders this summer, I pointed out with candor that from the beginning of our history until 1933, we had not been very consistent in our policies toward Latin America and that some of our actions in that period had clearly strengthened the hands of dictators. But I also pointed out that at Montevideo in 1933, we agreed to a vital change in policy. We agreed thereafter not to intervene in the internal affairs of our sister republics.

Now, obviously, we cannot at one and the same time refrain from intervention and express judgments regarding the degree of democracy our sister republics have achieved.

We had a few months of optimism regarding this knotty problem in 1945 and 1946 when the Foreign Minister of Uruguay proposed that the American nations collectively encourage the development of democratic governments by withholding recognition from those which did not measure up to democratic norms. It seemed logical to maintain that the collective judgment could not be construed as internal intervention, at least by a single nation. The United States supported the proposal. But our neighbors overwhelmingly defeated it.

Since the policy of non-intervention was adopted in 1933, dictatorships in Latin America have steadily declined. Whether this is a result of the policy or a coincidence, I leave to others to argue. My own belief is that one is at least partly the result of the other. Today, only a third as many dictators are in power as were in 1933.

What then, other than constantly reaffirming our hope that all peoples may enjoy the blessings of democracy, can we do about the matter?

I believe the suggestion of Vice President Nixon is sound and would be applauded by Latin America itself—that we have an “abrazo” for democratic leaders, and a formal handshake for dictators. Trivial as this may sound, I recommend that it be our official policy in relations with Latin American leaders and nations.

We have made some honest mistakes in our dealings with dictators. For example, we decorated several of them. Most Latin American nations did the same, and in grander style. Whatever reason impelled them and us to take those actions, I think, in retrospect, we were wrong.

I recommend that we refrain from granting special recognition to a Latin American dictator, regardless of the temporary advantage that might seem to be promised by such an act.

I most emphatically do not believe that we should withdraw our programs from Latin American countries which are ruled by dictators. We should not withdraw or diminish our technical assistance programs, diplomatic missions, loans, or other activities. Reasoning which caused one to feel that we should do so would lead logically to the conclusion that throughout the world we should cease cooperating with any nation in which

democracy is not complete. Patently, such a policy would paralyze the conduct of all foreign relations.

Non-recognition and non-cooperation would not help another nation achieve democracy. Most peoples want freedom, though many have never experienced it. By cooperating with them, even through dictators—by keeping open the lines of communication—one may hope that a growing understanding of the strength, glory, and basic morality of democracy will enable the people of a harshly ruled country to achieve and maintain democratic institutions of their own design.

We must be careful in deciding which leader deserves a mere handshake and which an "abrazo." In Latin America one finds widely varying degrees of freedom. At least one nation which today is labeled by some a "dictatorship" has greater freedom of the press, of assembly, of speech, of worship, and of research and teaching, than do several others which are generally conceived to be democratic.

An important consideration, it seems to me, is the direction a nation is taking. Throughout Latin America, a strong and irresistible trend toward freedom and democracy is evident. We should watch this trend in each country, and encourage it in any way that may be appropriate, without violating the fundamental policy of non-intervention.

Finally, I may say I do not know of a single act the United States has taken since 1954 that could be construed as granting special or even friendly favors to a dictator in this hemisphere. I state this in fairness to our many diplomatic officials who are on the firing line in international affairs, and who, dedicated to democratic ideals, sometimes must suffer quietly under unjustified criticism. It is true that one dictator has fled to the United States since 1954. What is not generally known, apparently, is that the successor government of his country issued him a diplomatic passport and requested permission for him to enter the United States. By such small acts very great misunderstandings are encouraged.

Conclusion

On the 1958 trip to Panama, Central America and Puerto Rico, my associates and I traveled 9,300 miles, and met with more than 1,200 leaders

of government, industry, agriculture, labor, commerce, finance, education, health, and social and cultural institutions. We held candid, informative conversations with them, and they submitted to us nearly 11,000 pages of data and suggestions.

I have given to the Department of State the voluminous material which was presented to me in each of the countries my mission visited. Most of this material deals with specific needs for credit or technical assistance and therefore should be handled through normal governmental channels.

In every country we received a warm, friendly reception. The absence of unfriendly incidents may have confounded those who were looking for sensational headlines, but this very circumstance enabled us, calmly and rationally, to accomplish precisely what we set out to do: to gain a new perspective of the problems, progress, attitudes, and aspirations of the nations visited, as a basis for determining whether new approaches in our policies and programs might strengthen relations among us.

My associates and I are grateful for the many courtesies and kindnesses which were extended to us. The cordial welcome given us is proof of the abiding friendship which exists among the governments and the peoples of the American Republics. It certainly would not have provided any comfort to Communists and others who constantly seek to drive a wedge between us and our friends.

The members of the mission are also indebted to you and Secretary Dulles for giving us the opportunity to represent the Government and people of the United States in furtherance of a sort of continuing mission which you originally assigned to me five years ago, and which I now assume is concluded. We are unanimous in our conviction that no area in the world is of more importance to us than Latin America, and that no other area matches us in our importance to the future of Latin America. We believe our conversations in the countries visited helped dispel some misunderstandings and clarified many issues.

This trip, like the previous ones, was a rewarding experience.

While everything we did was undertaken as a team, and while I have held lengthy conversations with the other members of the mission since our

return, I wish to make clear that this report is submitted solely on my own responsibility. It does not speak for any other member of this or previous missions. Needless to say, I trust that most of the views expressed and the recommendations submitted are acceptable, or at least worthy of consideration.

Sincerely yours,

MILTON S. EISENHOWER

United States and Argentina Sign Loan Agreements

Following are remarks made by Under Secretary Robert Murphy at a press conference on December 29 announcing a \$329-million stabilization and economic development loan agreement with the Republic of Argentina, together with a joint announcement by the organizations participating in the loan agreement and an announcement on the same day of a surplus agricultural products loan agreement with Argentina.

REMARKS BY UNDER SECRETARY MURPHY

Press release 778 dated December 29

As detailed in the official announcement which is being placed in your hands, a \$329-million program to assist the Argentine Republic in recovering from its present economic difficulties has been worked out by the United States Government and private American banking institutions, in cooperation with the International Monetary Fund. The United States participation represents one of the most comprehensive operations ever undertaken by the United States in Latin America.

I think it important to point out that the Argentine Government has made this program of financial cooperation possible through its own determined efforts toward economic recovery. By undertaking to help itself to the greatest extent possible, Argentina has provided a solid basis for requesting, and receiving, the collaboration of others. With participation by 3 United States Government agencies, 11 private financial institutions, and the International Monetary Fund, this is truly a cooperative venture in the inter-

national financial field. I should like to emphasize once again that it has been the Argentine Government's initiative in analyzing and dealing with its current economic situation in sound and realistic terms which has made this joint undertaking possible.

In addition to the program being announced here today, the United States Government last week signed a loan agreement with the Argentine Government covering the utilization of Argentine pesos obtained from the sale to the Argentine Government in 1955 of surplus edible oils, under the terms of the Agricultural Trade Development and Assistance Act of 1954, referred to as Public Law 480. The amount involved is the Argentine peso equivalent of \$17.7 million. These peso funds will be used for economic development purposes in Argentina.

The Department of State considers that these examples of joint U.S.-Argentine economic action fall within the framework and the spirit of the policy contemplated by Operation Pan America: cooperating with Latin American neighbors in the realization of their economic potential.

The United States Government is pleased to have had this opportunity to demonstrate its friendship toward the Government and people of Argentina. Although our two countries are separated by substantial geographic distance, the United States feels itself close to Argentina in many ways.

We look forward with pleasure to the visit of the President of the Argentine nation, Dr. Arturo Frondizi, in less than a month's time.¹ We feel sure that his visit will make its own special contribution to the developing spirit of understanding between our two nations.

We are honored to have with us today the Ambassador of Argentina, Cesar Barros Hurtado.

JOINT ANNOUNCEMENT

Press release 777 dated December 29

A \$329-million program to assist the Republic of Argentina in its efforts to achieve stabilization and economic development was announced on December 29 by 3 U.S. Government agencies and

¹ For an announcement, see BULLETIN of Dec. 15, 1958, p. 954.

11 private financial institutions in cooperation with the International Monetary Fund.

(Simultaneously, a far-reaching program of financial reform for Argentina was announced by the Argentine Government at Buenos Aires and the International Monetary Fund at Washington.)

The United States participation, said Deputy Under Secretary of State Robert Murphy, represents "one of the most comprehensive operations ever undertaken by the United States in Latin America."

The arrangements were concluded following negotiations at Washington and New York between Argentina's Minister of Economy, Emilio Donato Del Carril; the Secretary of the Treasury, Robert B. Anderson; the Under Secretary of State for Economic Affairs, Douglas Dillon; the President of the Export-Import Bank of Washington, Samuel C. Waugh; the Managing Director of the Development Loan Fund, Dempster McIntosh; and officials of the following commercial banks: Bank of America N.T. & S.A., the Chase Manhattan Bank, the First National Bank of Boston, the First National City Bank of New York, Grace National Bank, Guaranty Trust Company of New York, the Hanover Bank, Manufacturers Trust Company, J. P. Morgan & Company, Inc., the Philadelphia National Bank, the Royal Bank of Canada (N. Y. Agency).

The U.S. Government agencies and private banks will make available approximately \$250 million. The International Monetary Fund announced simultaneously the conclusion of a \$75-million standby arrangement with Argentina. Details of the conditions of availability of the standby arrangements are contained in a separate International Monetary Fund release.

The U.S. credits and other arrangements include: \$54 million by 11 private banks; approximately \$125 million by the Export-Import Bank; about \$25 million by the Development Loan Fund; and a \$50-million exchange agreement with the U.S. Treasury. U.S. assistance involves new economic development credits to help Argentina reverse the faltering private investment trend of recent years, increase economic output, develop new exports, and reduce certain major import requirements.

These major development loans for industrial free enterprise, a vital part of the Argentine re-

covery programs, include a \$10-million credit to the Argentine Industrial Bank for allocation to small business. Under the new Argentine financial program, it is hoped that foreign private investment will be attracted in amounts considerably in excess of these government development loans.

Commenting upon these announcements, Mr. Waugh said:

Argentina's efforts to regain full financial health and economic vigor are important to the entire Western community. The magnitude as well as the complexity of Argentine problems, and the extent of the new Argentine program, required the farflung and cooperative actions taken today. The financial arrangements announced today to support the Argentine effort recognize the courageous initiative being undertaken by the Government and people of that country.

Credits from the 11 private banks are intended for short-term Argentine requirements, as are the agreements with the Treasury and the International Monetary Fund. The long-range necessity in Argentina, however, is for expansion of fundamental sources of production.

To help meet this necessity, Eximbank expects to devote up to \$100 million of its \$125-million credit to implement loans on a case-by-case basis—with participation of investment from U.S. private sources—to finance U.S. purchases in connection with the following types of projects: a substantial electric power expansion program; development of industries such as cement, pulp and paper, and rubber manufacturing; petrochemicals; expansion of the meat industry; and other types of industrial expansion.

The remaining \$25 million of Export-Import Bank credit will be used to maintain essential imports from the United States during the next year.

The Development Loan Fund credit of about \$25 million will be used to finance importation of capital items in connection with projects contributing to economic development in the fields of transportation, electric power, and waterworks.

Under the Treasury's \$50-million agreement Argentina may request the U.S. Exchange Stabilization Fund to purchase Argentine pesos. Any pesos acquired by the U.S. Treasury would subsequently be repurchased by Argentina with dollars.

P.L. 480 LOAN AGREEMENT

Press release 776 dated December 29

The United States and the Government of Argentina on December 29 announced the signing of a \$17.7-million Public Law 480 loan agreement pertaining to the disposition of funds accumulated under an edible-oils sales agreement made in December 1955. The oil sales were made under title I of P.L. 480, which authorizes the sale of U.S. surplus agricultural commodities to friendly countries for foreign currency.

The agreement provides for an Argentine peso equivalent of \$17.7 million for development loans to Argentina. These loans are to be repaid in either dollars or pesos over the next 30 years. The new agreement, signed at Washington on December 22, is similar to an earlier one signed in April 1958, which provided for the utilization of about \$2.3 million in P.L. 480 funds for economic development purposes.

Development Loan Fund Authorizes \$22.6 Million in Loans to Spain

Press release 782 dated December 31

The U.S. Development Loan Fund on December 31 announced authorization of two loans totaling \$22,600,000 to assist Spain in financing imports of equipment and materials for further work on two of the country's major economic development programs—railway rehabilitation and land irrigation.

Dempster McIntosh, Managing Director of the DLF, has informed the Spanish Government of the loans, one for \$14,900,000 to the Spanish National Railways and the other for \$7,700,000 to the National Colonization Institute under the Ministry of Agriculture.

The railway loan will be used for track improvement on 75 miles of the Barcelona-French border line, 71 miles of the Madrid-Barcelona

line, 50 miles of the Palencia-Coruna line, and 94 miles of the Madrid-Hendaye line.

Proceeds of the loan to the Colonization Institute will be used to finance the import of equipment and materials to transform about 190,000 acres of low-yield dry-farming land in the Bardenas, Monegros, Aragon, and Cataluna areas in northeastern Spain into more productive irrigated land. Spanish agriculture has the highest priority for development, and this project will increase the present acreage under irrigation in Spain by about 4.5 percent.

Of the railway loan funds it is estimated that \$7,400,000 will be used to purchase 62,000 tons of heavy rail, \$5,440,000 to purchase about a million and a quarter ordinary crossties, \$800,000 for switches, and \$180,000 for 20,000 large-size crossties for switches. About \$590,000 will be spent to mechanize two quarries (crushing plant, shovels, dumpers, etc.) and \$140,000 for mechanical equipment and materials for track work.

The \$7,700,000 in irrigation loan funds will be used to assist the Colonization Institute in importing earth-moving equipment, related auxiliary facilities, and spares for clearing, grading, and leveling of land, and the construction of irrigation ditches, roads, etc. The Colonization Institute, which was founded in 1939, purchases large tracts of land, clears them, provides irrigation facilities where practical, builds roads, and makes available long-term loans to private farmers for land purchases and farm improvements.

In its program of economic cooperation with Spain under the mutual security program, the United States has assisted Spain previously with both the railway and irrigation projects. Since 1951 Spain has received two U.S. Export-Import Bank loans totaling \$16,260,000 for railway rehabilitation. Some \$30,000,000 has also been provided for Spanish railways by the U.S. International Cooperation Administration. Previous U.S. financial assistance in the land irrigation program, starting in 1954, includes \$9,400,000 worth of machinery financed by ICA and some 700 million pesetas from McCarran Amendment and Public Law 480 funds.

Tenth Anniversary of Adoption of Declaration of Human Rights

by Mrs. Oswald B. Lord¹

It is my privilege to bring to this gathering the greetings of the President of the United States. The President has repeatedly expressed his determination to protect and promote human rights. He believes in the Universal Declaration of Human Rights.² In 1953, when I became the United States Representative on the Human Rights Commission, he gave me a message to deliver to that body.³ In it he said this:

For the people of the United States, as well as for people everywhere, the U.N. Universal Declaration of Human Rights is a significant beacon in the steady march toward achieving human rights and fundamental freedoms for all.

Tonight I have his greetings to this assembly gathered in honor of the framers of the Universal Declaration of Human Rights:

Please give my greetings to the members and friends of the American Association for the United Nations as they join in tribute to the authors of the Universal Declaration of Human Rights.

This Declaration has become part of the heritage of mankind. It is an affirmation of the highest hopes of the human family. Its words contribute to the living unity of purpose which strengthens the United Nations in all its activities.

Ten years ago we agreed on certain basic rights, but that was only a beginning. No nation has yet achieved in full measure for all its citizens the goals expressed in the Universal Declaration of Human Rights. Our common task and opportunity is to strive, each in his own nation, to the realization of those goals. In the measure we do so we will enrich our civilization and serve the Creator who made of one blood all nations to dwell upon the face of the earth.

In this spirit, I send congratulations to your guests of

¹ Address made before the American Association for the United Nations at New York, N.Y., on Dec. 9 (U.S./U.N. press release 3110). Mrs. Lord is the U.S. Representative on the U.N. Commission on Human Rights.

² For text, see BULLETIN of Dec. 19, 1948, p. 752.

³ *Ibid.*, Apr. 20, 1953, p. 580.

honor and best wishes for the continuing success of the American Association for the United Nations.

DWIGHT D. EISENHOWER

Today, 10 years after its adoption, the Universal Declaration of Human Rights has become a vitally living document. It has become the framework for the continuing work of the United Nations, in the Commission on Human Rights, in the General Assembly, and in the many other bodies which deal with human problems. It has been used as a model in the new constitutions of many nations. It has become a standard of conduct to which the peoples of the world can rally—even when governments refuse to give it effective support.

By no means does this imply that the declaration has achieved its purpose. On the contrary, we are only beginning to understand the length and breadth of its objectives. It is a call to freedom. There is no way the United Nations can enforce freedom—any more than it can enforce peace. But it can rally the tremendous force of world opinion in the cause of human dignity. As a great religion touches the hearts of men and sets the standards of their conduct, so the Universal Declaration of Human Rights can become a part of the political philosophy of all people and all nations.

Because the declaration is a common standard of achievement, we think of it also as a force to unite the peoples of the world in common effort. In the United Nations we speak often of the progress that is being made toward its objectives, and we expect to take pride in our own progress and that of other countries.

But I have come to feel that this is not really a true picture of our efforts. While it is true that progress is being made, the force which unites us with other peoples is something quite different—a sense rather of what remains to be accomplished, a sense of common need to do more, to work faster and more effectively. It is not pride that unites us in support of the declaration; what

unites us is the growing realization that there are those in every country and every community whose rights have not been completely recognized and fulfilled. It is not easy for leaders of governments to admit these lacks, but it is easier when there is a common standard which can be used as a measure of our efforts and successes.

Now I want to make a second point, on how human rights find fulfillment. I have sometimes heard the declaration quoted as though it were a demand on governments to provide the rights therein for their peoples. The idea that each person already has certain inalienable rights is often forgotten and likewise that individual liberties are dependent on individual defenders. It is therefore the individual who must be strengthened to claim his rights and make use of them for his own benefit and in the service of the community.

Now I would like to spell out a little what this means. I am often asked by persons from other countries what guarantees a United States citizen really has, for example, regarding freedom of speech or protection against arbitrary arrest or possible destitution in old age.

It would be easy to answer such questions in terms of our governmental activities, in terms of laws and the judgments of our courts, or by describing our vast programs of unemployment insurance or public assistance. But here again I have come to feel that this is not the whole picture of the human rights we enjoy or hope that all can enjoy. While we have found ways through government to underwrite the essentials for human life and assure fundamental equalities of opportunity, our faith is in the power of freedom itself to stimulate and release the energy of the individual.

It is the function of government to encourage and protect freedom so that people can choose among a multitude of opportunities and agencies to realize their full potentialities. This is our purpose in encouraging action programs in the United Nations, not to concentrate power in governments but to equip men and women to take the risks of freedom and develop in accordance with the rights and dignities inherently theirs. It is this same spirit which gives force to the Universal Declaration of Human Rights and inspires new efforts to achieve its goals.

Current U. N. Documents: A Selected Bibliography¹

General Assembly

- Information From Non-Self-Governing Territories Transmitted Under Article 73e of the Charter. Statement made by the representative of the United Kingdom at the 820th meeting of the Fourth Committee on 28 November 1958. A/C.4/393. December 1, 1958. 38 pp. mimeo.
- Question of Nuclear Weapons Tests. Letter dated 4 December 1958 from the Head of the Delegation of the Union of Soviet Socialist Republics to the General Assembly, addressed to the Secretary-General. A/4027. December 4, 1958. 10 pp. mimeo.
- Question of the Frontier Between the Trust Territory of Somaliland Under Italian Administration and Ethiopia. Report of the Italian Government on the measures taken to give effect to General Assembly resolution 1213 (XII) of 14 December 1957. A/4030. December 5, 1958. 40 pp. mimeo.
- Question of the Frontier Between Ethiopia and the Trust Territory of Somaliland Under Italian Administration. Report of the Ethiopian Government on the steps taken to establish an Arbitration Tribunal and the terms of reference thereto as recommended by General Assembly resolution 1213 (XII) of 14 December 1957. A/4031. December 5, 1958. 11 pp. mimeo.
- Question of Measures To Prevent Surprise Attack. Letter dated 8 December 1958 from the Chairman of the Delegation of the Union of Soviet Socialist Republics to the General Assembly, addressed to Secretary-General. A/4040. December 8, 1958. 10 pp. mimeo.
- Application of the Republic of Guinea for Admission to Membership in the United Nations. Letter dated 3 December 1958 from the Ambassador of the Republic of Guinea addressed to the Secretary-General. A/4048. December 9, 1958. 13 pp. mimeo.
- Question of the Frontier Between the Trust Territory of Somaliland Under Italian Administration and Ethiopia. Letter dated 10 December 1958 from the Permanent Representative of Ethiopia to the United Nations addressed to the Secretary-General. A/4031/Add. 1. December 10, 1958. 15 pp. mimeo.
- Questions Considered by the Security Council at its 838th Meeting on 7 August 1958. Report of the Secretary-General on withdrawal by air of British troops from Jordan. A/4056. December 10, 1958. 5 pp. mimeo.

Economic and Social Council

- Economic Commission for Africa: Programme of Work and Priorities. Memorandum by the Executive Secretary. E/CN.14/4. November 19, 1958. 29 pp. mimeo.
- Economic Commission for Africa: Information Paper on the United Nations Expanded Programme of Technical Assistance in Africa. Prepared by the TAB Secretariat. E/CN.14/7. November 20, 1958. 13 pp. mimeo.

¹ Printed materials may be secured in the United States from the International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N.Y. Other materials (mimeographed or processed documents) may be consulted at certain designated libraries in the United States.

TREATY INFORMATION

Income-Tax Convention Extended to Rhodesia and Nyasaland

Press release 3 dated January 2

According to information contained in a note of December 30, 1958,¹ from the British Embassy in Washington to the Department of State, the Federation of Rhodesia and Nyasaland has taken the last of the measures necessary to give full force and effect to the extension of the income-tax convention of April 16, 1945, as modified, between the United States and the United Kingdom. Accordingly, the extension is effective (1) in the United States with respect to United States tax, on and after January 1, 1959, and (2) in the Federation with respect to tax for the year of assessment beginning on April 1, 1959, and for subsequent years of assessment.

On August 19, 1957, the British Government gave notification to the United States Government of a desire that the application of the 1945 convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, as modified by supplementary protocols of June 6, 1946, May 25, 1954, and August 19, 1957, be extended to specified British overseas territories.² That notification was given in accordance with article XXII of the 1945 convention, as modified. On July 9, 1958, the United States Senate approved the proposed extension. On December 3, 1958, the United States Government, in accordance with the procedure prescribed in article XXII, notified the British Government of United States acceptance of the British notification.

The British notification and the United States acceptance constitute in effect an agreement between the United States and the United Kingdom for extending the application of the convention, as modified, to the specified British territories, subject to the modifications and with effect from the dates specified in the British

¹ Not printed.

² For texts of supplementary protocol and U.K. note of Aug. 19, 1957, see BULLETIN of Oct. 14, 1957, p. 622.

notification. The extension will become operative between the United States and each of those territories when the particular territory completes such legislative or other internal measures as are necessary to give effect to the extension in such territory. According to the information received from the British Embassy, the Federation of Rhodesia and Nyasaland completed the necessary measures on December 19, 1958.

Current Actions

MULTILATERAL

International Court of Justice

Statute of the International Court of Justice (59 Stat. 1055).

Notice of withdrawal and termination of April 18, 1957, declaration accepting compulsory jurisdiction: United Kingdom, November 26, 1958.

Declaration recognizing compulsory jurisdiction deposited (with conditions and reservations): United Kingdom, November 26, 1958.¹ Effective until notice of termination is given.

Whaling

International whaling convention and schedule of whaling regulations. Signed at Washington December 2, 1946. Entered into force November 10, 1958. TIAS 1849.

Notification of withdrawal: Norway, December 29, 1958. Effective June 30, 1959.

BILATERAL

Germany

Agreement relating to certificates of airworthiness for imported aircraft. Signed at Bonn December 11, 1958. Entered into force December 11, 1958.

Haiti

Agreement concerning a naval mission to Haiti. Signed at Port-au-Prince December 24, 1958. Entered into force December 24, 1958.

Israel

Agreement amending the technical cooperation program agreement of May 9, 1952, as amended (TIAS 2570, 2697, 2788, and 3045). Effected by exchange of notes at Tel Aviv June 10 and July 25, 1958. Entered into force July 25, 1958.

Korea

Utilities claims settlement agreement between the Unified Command and Korea. Signed at Seoul, December 18, 1958. Entered into force December 18, 1958.

New Zealand

Agreement relating to cooperation in scientific and logistical operations in Antarctica. Effected by exchange of notes at Wellington December 24, 1958. Entered into force December 24, 1958.

¹ Applicable to all disputes arising after Feb. 5, 1930.

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776	12/29	P. L. 480 loan to Argentina.
777	12/29	Economic program to aid Argentina.
778	12/29	Murphy: remarks on aid to Argentina.
†779	12/29	Exhibits exchange agreement with U.S.S.R.
*780	12/30	Revised itinerary of Argentine President.
781	12/31	Reply to Soviet note on Berlin.
782	12/31	DLF loan to Spain.
†1	1/2	IMCO delegation (rewrite).
*2	1/2	Educational exchange (Jamaica).
3	1/2	Income-tax convention with U.K.
†4	1/3	Reply to Soviet note on Baltic and Japan Sea incidents.
*5	1/4	Evacuation of Americans from Cuba.

*Not printed.

†Held for a later issue of the BULLETIN.

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***The Soviet Note on Berlin:
An Analysis***

On November 27, 1958, the Government of the Union of Soviet Socialist Republics handed the United States Ambassador in Moscow a communication relating to Berlin.

Similar notes were given by the Soviet Government to the Ambassadors of France, the United Kingdom, and the Federal Republic of Germany.

In essence the Soviet notes demanded that the United States, the United Kingdom, and France abandon West Berlin.

Declaring the communication to be an attempt to rewrite history "by omission and by distortion," the Department of State has issued this analysis of the Soviet note, calling attention to the more important Soviet omissions and correcting the more obvious distortions. The analysis is a factual account of developments prior to, during, and after World War II which led to the present status of Berlin.

An appendix contains the official statements of the United States on the Berlin question, including the legal status of the city, plus other official statements of the Western powers and of NATO on the Berlin question.

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